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NPTA MANAGEMENT NEWS

VOL. XXVII/NO. 11

Published by
National Paper Trade Association, inc.

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NPTA Management News (ISSN 0739-2214) is published monthly by the National Paper Trade Association, inc., at a subscription rate of $25 per year. Second-class postage pending at Great Neck, NY, and additional mailing office **POSTMASTER**: Send address changes to *NPTA Management News*, 111 Great Neck Road, Great Neck, NY 11021. 516-829-3070.
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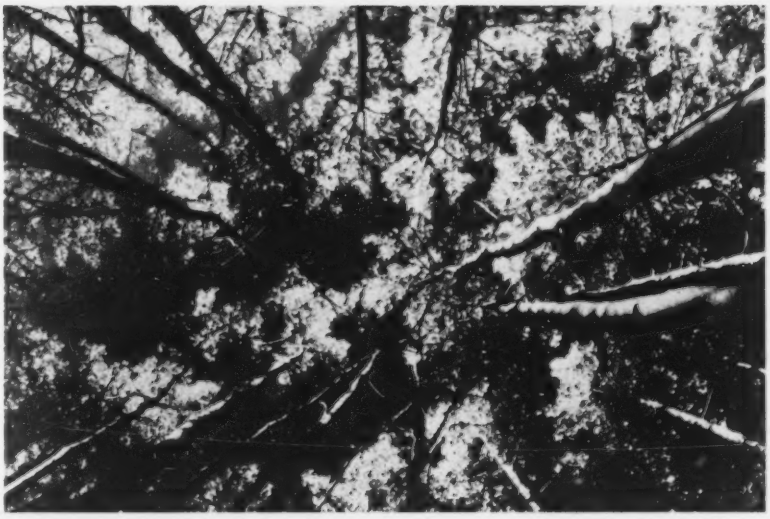
Like the branches of a tree, the paper distributor expands his influence in the marketplace.



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by Gordon Graham
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MEAD INCORPORATES ZELLERBACH

The Mead Corporation's Distribution Division has been created to manage the company's nationwide distribution system, the company reported on October 6. John W. Herbert, who is corporate group vice president for Consumer, Distribution and Specialty at Mead, will assume the additional position of president of the new division.

The incorporation of the Zellerbach Paper Group in September created the need for the division at Mead. Mead distribution now covers 32 states with 77 locations. Steven C. Mason, president of Mead, said that there are "opportunities created by this coast-to-coast distribution system" and that they are moving quickly to utilize these resources to assure better service.

Mead's new division will be made up of two business units: Mead Merchants and Zellerbach Paper Company—each representing half of the division's expected $1.3 billion in annual sales. Fred Robbins was named president of Mead Merchants, which will be expanded to include Virginia Paper and Southern, and John Sawka was named president of Zellerbach Paper Company.

HAMMERMILL AND KODAK IN AGREEMENT FOR COPY PAPER

According to a recent licensing agreement, Hammermill Paper Company will manufacture, distribute and sell copy paper for all of Eastman Kodak Company's copier models. The paper, specially made by Hammermill to Kodak's specifications, will continue to be sold under the Kodak name and trade dress. This is the first time Kodak has licensed its trademark to another company.

"Kodak copy paper is a bright white sheet designed to optimize reliability and to reflect and project Kodak's quality image," says Michael J. Murray, Kodak's vice president and general manager of marketing. Robert F. Meyer, Hammermill's president, says, "We see this as an opportunity to manufacture and distribute a product carrying two outstanding names in business products."

NEKOOSA IMPROVES ITS PAPERMAKING FACILITIES

A paper machine at the Nekoosa, WI, mill of Great Northern Nekoosa Corporation was shut down for about a month while it underwent a substantial rebuild, including new dryers, frames, drive system, and changes in the press section. Another rebuild is expected at the same mill where a new billblade coater will replace a gate roll coater and a number of additional dryers.

These are part of a proposed multi-million-dollar program to upgrade the pulp and papermaking equipment at the mills in Ashdown, AR, and in Port Edwards and Nekoosa, WI. The mills there now annually produce 334,000 tons of business communications and technical specialty papers, but an increase of 76,000 tons per year is projected because of the improvements.

Further anticipated remodeling over the next few years, said company president James G. Crump, involve rebuilding paper machines to upgrade quality, capacity and flexibility at the two Wisconsin mills. Increased production of about 11,000 tons a year which will result from a new air system, Fourdrinier modification and a new machine drive for the Ashdown mill's No. 61 paper machine, and another 5,000 tons-per-year increase from a rebuild of Ashdown's No. 63 machine, are among other changes in the plan.

NEW WAREHOUSE FOR WWF PAPER

The relocation and expansion of the WWF Paper Corporation-West facility have

EVENTS

NOVEMBER

3–4. *The Second International Unbleached Kraft Conference, Waldorf-Astoria Hotel in New York, NY. Contact Pulp & Paper magazine. 212-683-9294.*

10–15. *Paper Distribution Management Development Program. Miami University, Oxford, OH. Contact NPTA.*

16–23. *New York Paper Merchants Association's 1986 Seven Day Seminar & Cruise on board the Carnival Cruise Lines Superliner "Festivale." Contact NYPMA. 212-867-9660.*

18–19. *Industrial Sanitary Supply Symposium—"Sanitary Supply: The Role of the Industrial Paper Merchant." Atlanta, GA. Contact NPTA.*

JANUARY

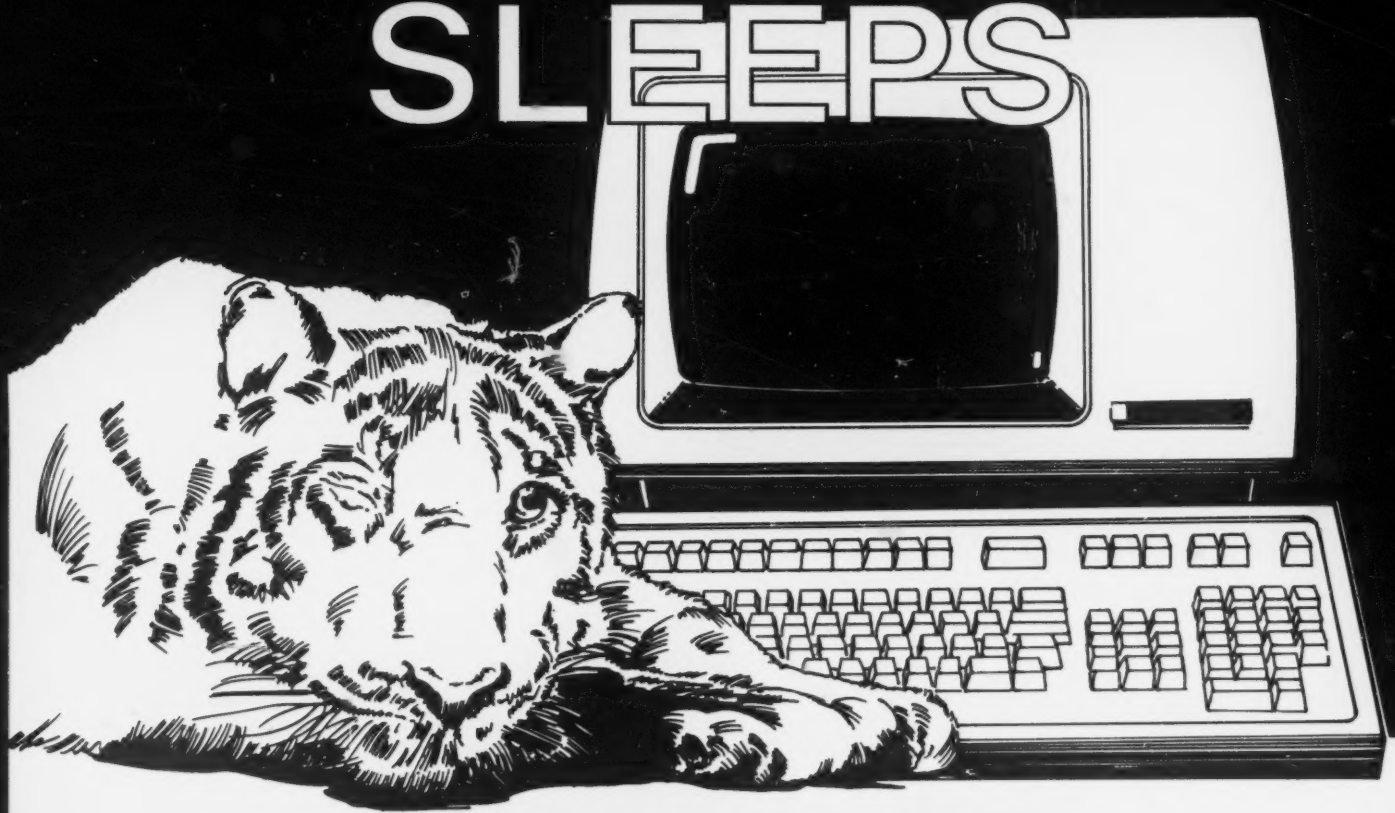
1987

20–22. *Maximizing the Potential of Multi-Branch Logistics, New Orleans, LA. Contact NPTA.*

FEBRUARY

13. *Managing Customer and Product Line Profitability—A Key to Survival in the '80s, Minneapolis, MN; Innisbrook Resort, Tarpon Springs, FL. Contact NPTA.*

THE TIGER NEVER SLEEPS



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been completed. The 50,000-square-foot warehouse with high ceilings is located at 2727 Workman Mill Road, City of Industry, CA. A Lambs Gray precision sheeter is being installed which is capable of producing 10,000 tons of sheeted products annually. Sam Moore, the company's regional operations manager, will assume responsibility for the warehouse.

WWF announced the following personnel changes in an effort to move the operation to greater efficiency. Regional office manager Dick Toney will be in charge of the merchandising department which includes Sandy Lynch, Erlene Galbert and Kathy Trippy; Jack Fong, controller, will direct the activities of Caroline McCarthy; Bob Galarza and Art Torres will report directly to Sam Moore or, in his absence, to Gary Mgrublian.

MOONEY-GENERAL CELEBRATES ITS 70TH

To commorate the 70th Anniversary of Mooney-General Paper Company of Hillside, NJ, a dinner and dance will be held on December 6, 1986, for its employees and guests at the Greenbrook Country Club, North Caldwell, NJ. The company serves the northern and central areas of the state with paper, plastic and janitorial products for the industrial, institutional, health care and food service markets with a fleet of nine trucks.

The company's origins date way back to 1916 when four men purchased the assets of the Mathias Plum Paper Company in Newark. Bearing the name of its principal stockholder, the H.G. Mooney Company moved to a new warehouse and office complex and then 50 years later acquired the General Paper & Twine Company; hence the present name Mooney-General. Additional acquisitions of sales and personnel include the Chesler Paper Company, Tappan Supply Company and Niagara Paper and Twine Company, growing from 11 original employees to a total now of 62. And family service continues as a tradition with three generations currently active in the company.

ACME PAPER ESTABLISHES HEALTH CARE DIVISION

A separate corporate division devoted exclusively to the health care market has been formed by Acme Paper and Supply Co., Inc., of Savage, MD. Company vice president Steven Attman says that "The health care industry is expanding rapidly, and we are committed to being the one stop shopping center for the vast needs of hospitals and nursing homes." Acme's former sales rep Bill Marks will manage the new division.

An increased sales staff has been added to assist customers in choosing the appropriate item to fit the demand, while an expanded data processing system and a larger warehouse are expected to facilitate filling orders.

HUDSON VALLEY PAPER COMPANY KICKS OFF WELLNESS PROGRAM

A company picnic and family health day marked the start of Hudson Valley Paper Company's Wellness in the Workplace Program. "Fitness is a 10 at Hudson Valley Paper Company" was the winning slogan in a contest to develop a theme, and Diane Tierney won a 10-speed bicycle for it.

The State University of New York at Albany helped organize the Wellness program which was partially underwritten by Blue Shield of Northeastern New York. The program includes individual health risk appraisals; a lecture series on nutrition, stress, cardio-vascular fitness, weight loss and cancer facts; and distribution of a health newsletter and other literature. Additional programs may be added throughout the year.

Company president Sydney Tucker Jones states,"Wellness programs are a great way to show concern for employees. Healthy employees are better equipped to perform on the job, and providing wellness programs is an opportunity for Hudson Valley Paper to help employees live longer, happier lives." Additional information is available from Joseph Tierney, Hudson Valley Paper Company: 518-436-8481

BUNZL DISTRIBUTION EXPANDS

"Bunzl North" is the name of a new distribution complex in Jersey City, NJ, to service all Jersey Paper and Monmouth Paper customers in the northern metropolitan area."Bunzl South" designates the existing South Brunswick facility currently used by Jersey Paper for all customers in the southern metropolitan area.

The Monmouth Paper facility in New Brunswick will transfer its service operations between the Bunzl North and South complexes, maintaining the "same personnel with the same voices and faces and with the same telephone numbers," says president Joseph Tabak. He adds that Bunzl Distribution's expansion was planned to maintain the best possible service to its customers.

TEXCROM AND CROWN ZELLERBACH ENTER AGREEMENT

An economy grade of grooved roll towels, designed to fit Crown Zellerbach TOWLMASTR dispensers, will be manufactured and marketed by Texcrom Paper Corporation. This is the result of a consent decree settling litigation and, says Texcrom president, gives both end-users and distributors of TOWLMASTR towels an alternative that was not previously available in the marketplace. Texcrom has begun to build up new inventory and will be taking orders on their new grooved roll towel over the next several weeks.

"We are extremely pleased," states George Shally, executive vice president

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SALES MANAGEMENT

HIDDEN MOTIVATORS BOOST PERFORMANCE

Managing sales people is difficult enough when your people are already well motivated and good performers. But when a sales person is turning in a lackluster performance, you have to coach him to do better.

What drives TODAY's sales force? In that most of this industry's sales people are on some sort of commission plan, the answer to that question is usually "money." There is more to it, though. There is a natural instinct to do a good job, feel good about one's self, be knowledgeable in a particular field, please the boss, etc. And what is true for the sales employee is true for the manager as well.

The sales manager and the sales person are a team. They form a partnership. This concept in modern business replaces the "us against them" way of thinking. Managers must be aware of how each of his partnerships are different, how each of his sales people is different and requires different motivation. Management skills are not easy to come by and are often difficult to perform.

The manager as partner is not a critic. Most sales people resent criticism but react positively to coaching. Poor performers may blossom when treated more as equals. Low self-esteem can be combated successfully through this technique.

Sometimes, it is less a factor of what is being said than how it is said. "I'd like you to make six appointments a day instead of three," carries a lot more weight than "You're lazy." The difference is clear.

Another technique that works is to have a sales person who is weak in a particular area teach that skill to a new employee. This will motivate him or her to learn and master the weak skill area. Teaching is one of the best means of learning.

Sales people will improve more quickly if the manager focuses on one area at a time. Giving someone a "laundry list" of things that need improvement is overwhelming. Keep at it, but one at a time.

of Texcrom, "to have resolved our dispute with Crown Zellerbach. And we are doubly pleased that we are able to continue the excellent working relationships with the hundreds of distributors we have known so well over the years."

NEWS BRIEFS

MARVIN ENVELOPE AND PAPER COMPANY of Chicago opened its first cash and carry center under the name of "AAA Paper and Supply Store." It is located at 2048 West North Avenue, Chicago, and occupies 10,000 square feet. A second center is being planned. Gordon Caplan is president, and Jay Shapiro is general manager of Marvin, a second generation, privately held company which was established in 1922.

RIS PAPER COMPANY announces the formation of Ris National at their Long Island City, NY, operation. The new division is designed to work with large customers whose purchases require service in several of the company's 17 locations throughout the country. President Kent L. Carson will coordinate the division's activities.

WEYERHAEUSER CANADA LTD.'s president Dave McInnes and Canada's Premier Grant Devine planted a white spruce to mark the company's takeover of the PAPCO pulp mill from the provincial government in a $498 million deal. A 200,000 ton annual increase in uncoated paper for business communications, commercial printing and publishing is anticipated as a result of the acquisition. Included in the agreement is the construction of Saskatchewan's first paper mill, modernization of the existing pulp mill, and completion by early 1989 of a new 315-inch paper machine.

INDUSTRY NEWS CONT.

LINDENMEYR PAPER CORPORATION has expanded its sales and service facility in Chicago. The new offices, under the continued direction of vice president James G. McLaren, are in the same building which has housed the company's Chicago operations for some years—444 North Michigan Avenue, 312-222-1890. Company chairman Leonard B. Schlosser states that the new quarters "permit expansion both of office and sales facilities in an open office plan, and of the sample department which supplies printed specimens, plain-paper samples and book dummies to Lindenmeyr clients in the Midwest."

LOUISIANA-PACIFIC has agreed to purchase Kirby Forest Industries from Santa Fe Southern Pacific for $315 million. Kirby, SFSP's wholly-owned subsidiary, has about 650,000 acres of timberland in East Texas and Louisiana, plus three complexes that manufacture plywood, lumber and particleboard. Not included in the contemplated sale are SFSP's 520,000 acres of timberland in northern California. Santa Fe's chairman John J. Schmidt said that although "Kirby is having a good year, in the long run it does not fit well in our portfolio of companies. It will be a better fit in a company like Louisiana-Pacific."

ST. RAYMOND PAPER (1983), INC. of Chute Panet, Quebec, has appointed Paper Trade, Inc. as its exclusive agent directing sales in the United States, according to an announcement by Don McDougall, president of the Canadian based mill.

BUTLER PAPER BREAKS GROUND

An 18,240-square-foot warehouse and office will be built in the Wisconsin Rapids

industrial park for the Butler Paper Company. It will feature three truck docks, high ceilings, and a new paper converting room, replacing the company's leased premises at 71 Love Street. With over $700 million in sales during 1985, Butler Paper has outlets in 64 cities and operates as the paper distribution and converting division of Great Northern Nekoosa Corporation.

PERSONNEL CHANGES AT CARPENTER PAPER

Several changes in personnel and assignments were announced by Joseph M. Tell, president and CEO of Carpenter Paper of Iowa. Former vice president of sales Warren A. Burgess is now executive vice president and general manager. Orval P. Byrd is vice president/controller as well as secretary-treasurer. William G. Clark spearheaded a newly expanded division, Forms Papers, and is its manager. William P. Tell succeeds Clark as general sales manager. Thomas K. Kling and Patrick H. Conners have joined the company as senior accounts reps, Mr. Kling for the Des Moines area and Mr. Conners for the Ames/Boone area. Richard P. Rasmussen was appointed manager of Papourri, Carpenter's retail paper and party goods store.

PEOPLE IN THE NEWS

John English has joined Ris Paper Company as divisional credit manager. He will be responsible for credit control of Ris' Washington Division which includes offices in Capitol Heights, MD, Baltimore, MD, and Richmond, VA.

Robert E.C. Burris, 52, Unisource Corporation's vice president, Southern region, suffered a heart attack and died on August 11, 1986. A 25-year paper industry veteran, Mr. Burris is survived by his wife, Dee, and four children.

Rosetta Farrell has joined Paper Corporation of United States as regional sales promotion manager. She will work directly with the Eastern Region Phoenix Imperial and Pheonoweb merchant distributors and will be responsible for promotion to the corporate design community in the metropolitan New York area.

Kent A. Dennis has been promoted to branch manager of Inlander-Steindler Paper Company's South Bend, IN., branch. **Michael Brockway** and **Stephen Jaworski** will work out of the company's Griffith, IN, sales office. ISP serves Illinois, Iowa, Wisconsin, Michigan and Indiana from its various branch operations.

Carl D. Johannesen is Mead Merchant's new general manager at Pittsburgh, PA. His background in marketing, sales and branch management makes him a "valuable addition," says the Mead company.

Larry Gray has been appointed general manager of the Cincinnati Division of The Cincinnati Cordage and Paper Company. John F. Church, Jr., president of the paper distribution company, said that Gray "knows printing paper—our specialty—and knows the Cincinnati/Louisville market."

Joseph G. Parayil, senior graphic arts specialist, and **Lisa A. DeLisle**, graphic arts specialist, are new additions to the research and development engineering department of Appleton Papers Inc. at Appleton, WI. Both have degrees and prior experience in their fields.

William Gnatek has been promoted to vice president/sales at Stevens & Thompson, marketers of industrial, commercial and retail tissue and towel products. The company attributes its greatly increased market position to Gnatek who was the national sales manager and who will now be responsible for all national and international sales and marketing.

Dennis G. Williams has joined the Hammermill Distribution Group as business systems manager.

John T. (Jack) Ennor, vice president and general manager of the Waterloo Paper Company, Waterloo, IA passed away on September 8, 1986. He was 69 and a 50 year veteran of the paper distribution industry.

David A. Taylor has been named by the Ris Paper Company, New England as

PAPER DISTRIBUTION INDUSTRY BEST SELLERS

Rank	Publication	Last Mo.
1	Printing Paper Sales Compensation. *NPTA.* $40.	—
2	Fine Paper Catalog. *Grade Finders.* $55.	9
3	The Practical Handbook of Warehousing. *Ackerman.* $40.	1
4	The U.S. Paper Distribution Industry: A Market Research Data Source. *NPTA.*	2
5	A Guide to Value-Added Purchasing. *NPTA Brochure.* 10¢ each.	3
6	Merchandising to Maximize Your Margins. *VanDeMark.* $25.	6
7	Implementing Successful Paper Marketing Programs. Video Tape and Guide. *NPTA,* $65.	4
8	Wholesaler Inventory Control. *VanDeMark.* $25.	7
9	Practical Handbook of Distribution/Customer Service. *Blanding.* $40.	5
10	Strategic Planning: A Fitness Program for Wholesaler-Distributors. *Andersen.* $35.	8

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a national account representative.

Leonard W. Green has been named general manager of Service Paper Company, Renton, WA.

Read Calderone has joined J&L Associates, Inc. of Norwood, MA (manufacturers reps) to market paper, plastics and janitorial supplies to accounts in Southern New England.

Chuck O'Connor is now the Eastern division sales manager for the Freeman Paper Company, a supplier of disposable napkins, place mats and table covers to the food service industry. He will be responsible for sales from Maine to Virginia, as well as coordinate all sales efforts with twelve Freeman reps on the Eastern seaboard.

John T. Hurley has been named vice president-national publication sales, and **Peter A. Hanson** vice president-merchant sales for Consolidated Papers, Inc.

Arnold C. Oss, Jr., succeeds retired **William Crotty** as vice president-sales for Northwest Paper Division of the Potlatch Corporation.

Todd Sloane received the "Salesman of the Year" award at the July Carroll Company Annual Sales Meeting.

ISP TO CELEBRATE CENTENNIAL

An extensive series of activities to commemorate Inlander-Steindler Paper Company's 100th anniversary is being planned for 1987. Significant company developments will be highlighted along with its many key suppliers. From modest beginnings in 1887 in Chicago, ISP has grown to its present seven locations, distributing paper and other products for food service markets, printing/office paper, janitorial/maintenance, and packaging/shipping room markets in the Midwest.

MONARCH MAKES PERSONNEL CHANGES

The promotion of Charles F. White to the position of president was announced by the Monarch Paper Company at Houston. Succeeding Hamilton J. Bisbee who recently became president of Unijax Paper Corporation in Jacksonville, FL, Mr. White has been with Monarch during his entire 21–year career, serving in various capacities from commissioned salesman to senior vice president of sales and marketing.

The company's Houston division has named Jerry Thompson sales manager of industrial sales.

At the Dallas/Fort Worth division, the company reports that Patrick D. McMahon is now assistant division manager; Steve Kordek, distribution manager; Mike Adams, area supervisor of the Paper Plus stores; Tom Higgins, manager of the Paper Plus store in Richardson; and Marty McClendon, manager of customer service.

Additional changes at the company's Austin division are Jamie Spiegel's appointment as store manager of the first Paper Plus store in Austin, and Walter H. Beck's promotion to the position of customer service there.

STABBERT JOINS HAMMERMILL AS DIRECTOR, BUSINESS DEVELOPMENT

Frederick J. Stabbert has joined the Hammermill Paper Company as director, business development with responsibility for developing business opportunities in specific growth areas in the company's plan.

Prior to joining Hammermill, Stabbert was president of the Zellerbach Paper Group and an officer and senior vice president of the Crown Zellerbach Corporation. He began his career with Zellerbach in 1969 as a sales trainee and held increasingly responsible management positions over the years culminating with his being named president of the company in 1983.

Frederick J. Stabbert is currently vice chairman of the National Paper Trade Association and is responsible for the activities of its Printing Paper Division.

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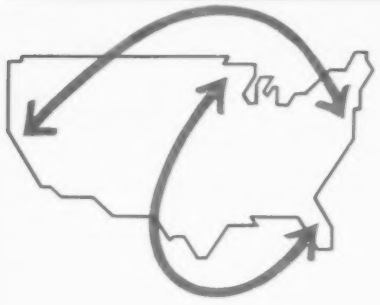

Professions Inc. is a 14 year old recruiting firm specializing in the paper distribution industry with emphasis on flexible packaging, fine paper and industrial supplies. Professions has placed over 300 people in these areas since 1981—from New York to California, Minnesota to Florida. 80% of those placed were experienced in the paper merchant trade, the remainder were from manufacturers serving paper merchants.

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PRINTING PAPER

GEARING UP FOR THE ANNUAL REPORT SEASON

A recent report in the *Wall Street Journal* revealed that more money is being spent these days on annual reports in general, and that the use of outside help to produce these reports specifically has been increasing dramatically.

The *Newsletter on Annual Reports* states that the annual report business has topped $1 billion per year. Further, more than 90% now use outside photographers and 82% use a design service. Innovations abound in the annual report business. One company even sold $20,000 in advertising in its annual report.

Editor's Note: Annual report papers can make the piece sing. Start early to work with specifiers to help them with their creative process. The results will be well worth it.

GRAPHIC ARTS IN SOUTH FLORIDA IS BOOMING

Why single out South Florida? Take a look at the statistics: Sales of the printing and publishing industry here have topped $2 billion annually; Florida is the hottest growth area in the Sunbelt, and South Florida represents half of the state's output; the South Florida market exceeds Atlanta's by a third; employment in South Florida's graphic arts industry now makes up half of the state's; and, there is a higher concentration of color reproduction equipment in South Florida than in any other region of the country.

To call attention to the wonders of the graphic arts industry in South Florida, a "Graphics of the Americas" show will be held in Miami, January 23–25, 1987. Expected to top 500 booths, the show has attracted nearly 18,000 visitors each year. Those wishing more information should contact the Printing Industries of South Florida at 305–558-4855.

PRINTING PAPER SALES COMPENSATION REPORT AVAILABLE

A new report on printing paper sales compensation has just been published by the National Paper Trade Association. Based on a survey of member firms throughout the country, the results will help printing paper and dual distributors better understand the changing compensation picture in distribution.

For more information, contact the NPTA Communications Department at 516–829–3070. The price for the comprehensive report is $40 for members and $50 for suppliers.

INDUSTRIAL PAPERS

INDUSTRIAL PACKAGING VIDEO TAPES PUBLISHED

NPTA's Industrial Division recently published a set of video tapes made dur-

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ing the 1985 Industrial Packaging Symposium in Chicago. These tapes (VHS) may be purchased individually or in a set of seven. For further information, or to place your order, contact Richard J. Lerman, NPTA Director of Marketing & Membership Services.

DEGRADABLE PLASTIC DISCOVERY ANNOUNCED

An article in *Fortune Magazine* states that a sturdy waterproof plastic material which dissolves when mixed with solvents has been developed in Europe. A reagent in the plastic material causes it to break down into an environmentally safe residue. The plastic, manufactured by the Swiss company Belland, is available as a foil, as a spray-on film, or in granules for extrusion.

The discovery comes at a critical time for the plastics industry. Methods of dealing with discarded plastic waste has been the object of study in many states, and recently at the federal level as well. In Michigan, a bill was introduced that would require all containers used in takeout to be degradable.

The plastic can be adapted for various uses. For example, an ammonia-based reagent that breaks down into fertilizer is used in agricultural applications, and a soda-based reagent for industrial uses helps to process sewage in water treatment plants.

NPTA TO STUDY INDUSTRIAL PRODUCT LINES IN DISTRIBUTION

NPTA's Industrial Division will soon be mailing to members a survey questionnaire to learn more about the kinds of products merchants are selling.

Results of the survey will be published by the Association and should provide information on how merchants view their business, the kinds of product lines which "marry" well, the importance or non-importance of various product lines in the future planning of merchants' business, and many other kinds of information regarding products carried by merchants.

THE NEW AMERICAN MENU?

According to an article by the North American Foodservice Companies, Inc., in *Nation's Restaurant News*:

- The National Restaurant Association conducted a study recently and found a 42% increase in the number of consumers ordering takeout in the past two years. Eighteen percent of those surveyed order gourmet or "upscale" takeout. Forty percent order pizza and other foods for delivery at home.

- Twenty "mobile" Burger King units will be on the road this fall, bringing BK products to the consumer. The units will be able to serve up to $5,000 worth of burgers, shakes and fries before having to restock.

- An NRA study showed that 57% of consumers have tried or intend to try restaurants that serve barbecue. Takeout barbecue items make an excellent market for leak-proof packaging.

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1. **3M AND THEIR PACKAGING NEEDS - William Petryk, 3M Director of Packaging.** Because 3M depends heavily on their packaging suppliers for assistance in the areas of development and specifications of packaging their products, Mr. Petryk explores just how this process works and why it has proved beneficial. What are some of these special services and how are their many needs met? This is all discussed in detail.

2. **PRODUCT LIABILITY IN PACKAGING - Mike Weir, NPTA Legal Counsel.** How to avoid product liability suits is the topic covered by NPTA Legal Counsel Mike Weir. Using the proper procedures and precautions is discussed, as well as what to watch for in disputes.

3. **TESTING PROCEDURES FOR PAPER IN THE PACKAGING FIELD - Walter A. Wozniak, President, Chicago Paper Testing Laboratory.** Just what are the functions of an independent testing laboratory? This is the main focus of Mr. Wozniak's presentation. During the course of his presentation, he discusses participation in periodic accreditation and calibration programs, common paper tests and equipment used to make these tests, paper tests for specific problems and case studies of common problems in paper testing. Mr. Wozniak also discusses paper tests on commercial products.

4. **TRENDS IN PAPER PACKAGING - Donald L. Abbott, Michigan State University, School of Packaging.** Mr. Abbott presents a historical review of packaging materials. Featured are discussions on consumer demographics and shopping habits, packaging material trends of the present and past, and the future role of paper in packaging.

5. **TECHNIQUES OF PRINTING ON INDUSTRIAL PACKAGING - James Davis and Gordon Cole, Thilmany Paper Company.** The many advances in printing on packaging are discussed. How these have made packaging more exciting and creative are viewed, as well as the technical side of these new processes.

6. **CUSHIONING MATERIALS USED IN INDUSTRIAL PACKAGING - Chester Gaynes, Technical Director, Gaynes Testing Laboratories, Inc.** With new electronic and other fragile products entering the market, the needs to better cushion the packaging of these products has become an important area for packaging merchants. Mr. Gaynes discusses how his firm tests for these kinds of packaging materials and gives examples of case studies in this area.

7. **THE INDUSTRIAL FLEXIBLE PACKAGING WORLD: Yesterday, Today, and Tomorrow - Frank G. McDermott, Senior Vice President, Ludlow Corp.** Because there has been dynamic movement in the world of flexible packaging, many changes have come about in this field. Long looked upon as a poor relation to the glamorous business of food packaging and medical care packaging, the world of industrial packaging is now emerging as a highly regarded and dynamic marketplace. As industrial products embrace more and more high technology, and therefore higher dollar value, they must be packaged better for safety. Because of this, we now see a new role emerging for the Industrial Packaging Distributor. His role is larger and he becomes more of a partner in the world of packaging, rather than another link in the distribution chain. Just how this has all come about and how the merchant can take advantage of it are the focus of Mr. McDermott's presentation.

Paper Distribution/ Branching into the Future

The 1980s are proving to be a period of significant change, and the challenges and opportunities confronting today's wholesaler-distributor are truly grand. This revolution is being fired by advances in electronic communication, management and financial practices, changing market conditions and incredible technological developments. These developments have stimulated new approaches to growth, more dedication to strategic planning, and increased focus on market coverage strategies and branch network development.

By Denis F. Healy, President, Healy and Associates.

There are many routes to profitable growth and market coverage in wholesale distribution. The Growth Strategies Study, a two-phase research project sponsored by the National Association of Wholesaler-Distributors, Distribution Research and Education Foundation, examined the views and preferences of wholesaler-distributors regarding their approaches to growth. From this emerged two distinct views on the subject.

Some companies elect to remain in a single location, growing by offering a wider array of products/services to develop relationships with new accounts and to strengthen ties with established customers. Other wholesaler-distributors may pursue growth by extending their geographic area of coverage. Over one half of all distributors responding to the Growth Strategies Study operated more than one location and considered expanded geographic coverage as a main element of their business strategy.

Branching Defined

There are as many definitions of a branch operation as there are products in a distributor's inventory. Some people view a branch as a clone of headquarters; others think of a branch as a field sales office and center for customer contact. Some do not use the term "branch," but rather talk about distribution systems and networks. And finally, there are those who view a branch as a marketing extension of the headquarters location.

Just as computer systems may consist of a series of remote terminals which may be networked, and may contain varying levels of computing power (intelligence) at each location, a wholesaler-distributor may have a series of locations (branches) which function as remote terminals. Some locations may be "full service" and nearly self-sufficient, while others may be tightly integrated through information and physical distribution networks.

In this article, branching is defined as an extension of the core business into a geographic area or market segment which cannot be economically or effectively served from a central location. The "branch" may be merely a shell for housing sales and customer service personnel and minimal (possibly none) inventory. Or it may contain a full complement of services, sales, extensive inventories, repair and assembly facilities.

Influences on the Branching Decision

There are many reasons for branching:

- To gain market access
- To protect market position
- To provide competitive hedge
- To achieve economies of scale
- To increase service factors
- To attract investors/buyers
- To provide management opportunities.

Any rationale may be acceptable, provided that management has: a) a clear idea of what it seeks to accomplish; b) a carefully articulated plan for its implementation; and c) a means of evaluating the effectiveness of the strategy as it is being implemented. The ultimate test is the market's receptiveness to the approach.

A decision to branch often is prompted by the desire of management to intensify its coverage of an existing market area (penetration), or to extend its capabilities and offering into new areas (market development). This is an Offensive Strategy. Also, there are occasions when branching is used to protect existing interests such as access to customers or to vendors' lines—a Defensive Strategy. Successful defensive strategies result in the relaxation of competitive pressures and consequent gains in market share and operating profits.

The decision-making processes associated with both offensive and defensive branching strategies are essentially the same. In both instances, market potentials and competitive

conditions must be assessed, and relationships with suppliers evaluated. The availability of a skilled work force and management talent, as well as the capacity of existing systems and procedures to handle any additional branch(es) must be considered. Finally, the overall impact of additional branches on the ability of existing financial and human resources to serve the current customer base must be addressed. What must be avoided is stretching the fabric of the branch network so far and fast that it is weakened to the point of competitive vulnerability and compromised customer service levels.

Approaches to Branching

There are three ways to develop a branch network—through building new facilities, acquisition, or merger. While each option has its pros and cons, the underlying consideration in selecting any approach is its impact on access to customers and vendors, as well as on the resources of the company. The Growth Strategies Study showed a strong preference for acquisition over building or merger. The build option received a distant second in preference. Those operating in mature markets strongly preferred the acquisition option, while wholesaler-distributors in expanding markets were more receptive to the build option.

The Build Option: At first, this approach appears to offer numerous advantages. Presumably, a new facility incorporates the best in management and technology. It has the most up-to-date design and may be in a convenient location. Furthermore, it can be utilized to develop employees with high growth potential and entrepreneurial skills.

However, construction costs and the learning expenses associated with a startup operation may be high, especially if the new location is in an unfamiliar market area. The costs of acquiring a site and designing and building the facilities continue to rise. Once built, there are the costs of recruiting and training personnel, as well as the carrying costs associated with on-site inventory. These can place substantial burdens on the rest of the organization. Finally, there is a large hidden cost associated with the time and effort that management must expend in launching the new branch.

There are marketplace considerations too. When a company builds a new branch in an established market area, it is reasonable to expect the established competition to retaliate through a variety of measures such as aggressive price cutting, attempts to contract with large accounts for long-term supply, joint marketing programs with key vendors, and the like.

Since the Build Option increases the number of competitors in a market area, the interests of the vendors who supply the new branch must be considered for their distribution objectives, and strategies can have a substantial bearing on the marketing approach and profitability of a proposed branch. For exclusive lines, the central task of the branch is to provide exceptional marketing support to the vendor. In cases of selectively distributed products, attention must be paid to both market coverage and expense control. Finally, the branch offering intensively distributed lines must differentiate itself from competition by offering unique services or price incentives.

The Acquisition Option: In an acquisition situation, the holdings of one company are purchased by another, and a new operating entity is formed. For a wholesaler-distributor, it is common practice to purchase inventories, some portion of the accounts receivable, and the working fixed assets of the organization.

From a management perspective, the positive aspects are numerous. The acquirer gains an immediate physical presence and usually can access much of the established customer base. An additional plus may be vendor access—equally as important as customer access. Indeed, a wholesaler-distributor may be attracted to an acquisition candidate because of the established vendor lines. Also, startup time and costs can be minimized if key local personnel and operating systems are retained, provided there is compatibility. When properly planned, the startup can be done rapidly, with comparatively little disruption of business operations and customer relations.

However, there are risks to be anticipated and minimized. First, it must be remembered that the acquirer inherits both the good and the bad of the acquired company's history. Undoubtedly, over the years there have been mistakes and alienation of some customers and vendors.

Second is the issue of compatibility. Each company's personnel has worked under different management styles and operating conditions, and thus may overtly (or covertly) resist assimilation. This can be one of the most disruptive and harmful aspects of an acquisition. A similar concern must be raised about the responsiveness of systems and procedures. If there is incompatibility, customer service levels and/or internal efficiencies can deteriorate rapidly. Also, since the acquiring company is

There are three ways to develop a branch network—through building new facilities, acquisition or merger.

There is an analytical approach and process for determining the need for an extention of the core business into the marketplace.

buying some portion of the accounts receivable and inventory of the other company, there must be a test of the quality and completeness of these assets.

Lastly, there is the matter of price—especially considering the value of good will and future earning power of the acquired organization, both as a freestanding profit center and as a complement to the rest of the organization. Questions of the proper earnings multiple must be answered, as must issues of accounting convention. These factors may temper the overall attractiveness of acquisition since it is well known that "dressing up for sale" is practiced in every industry.

The Merge Option: One of the trickiest options to implement, mergers involve the blending of two separate companies into one entity. On the positive side is the possibility that the blending will be synergistic, i.e., the capabilities of both parties will be strengthened in the process. Synergy may be realized in one or several of the following: the resultant management team, product lines offered, areas and segments covered, locations and systems.

In theory, all of these should be benefits from a merger; however, there are substantial hurdles to be overcome. Many of the same issues addressed in the Acquisition Option must be confronted. It also may be difficult to reassign management responsibility and authority in a merger situation.

Steps in Developing a Branching Strategy

There is an analytical approach and process for determining the need for an extension of the core business into the marketplace. This approach is as useful in deciding to set up a network of "7–11" type facilities as in a decision to clone the headquarters operation. The most important considerations are based on sound marketing and planning principles, and they comprise a five-step decision and analysis sequence:

1. Develop Marketing and Business Plan
2. Formulate Criteria
3. Search/Evaluate Candidates
4. Decide on Candidate
5. Implement Branching/Growth Strategy

These steps are applicable to the three options—building, acquiring and merging—although the acquisition approach is emphasized since it is the method preferred by most wholesaler-distributors.

Step 1—Develop a Marketing and Business Plan: Every organization has its own style and orientation to growth and market coverage. Members of the management team must come to grips with these aspects of their organization in order to establish business and market coverage objectives. This process leads to consideration of market coverage issues and assessment of the need for additional facilities in both existing as well as potential markets. It is here that competitive strategies and offensive/defensive rationale should be addressed.

The extent to which existing branch locations can serve an expanded geographic area should also be considered. In light of the current developments in electronic communications and delivery services, the market reach of existing facilities may be far greater than in the past.

In the face of such a wide variety of growth and market coverage options, a series of trade-offs must be made between strategies to ensure the proper fit with market conditions and business objectives. These strategies are not mutually exclusive, and a choice of one has a ripple effect on other areas. There are also choices to be made within each category—namely, between intensive coverage of a particular area or product category versus a more extensive coverage. These are classical trade-offs between breadth and depth, but they must be made carefully in these challenging and dynamic times.

Whatever the case, there is a need for management to clearly define the underlying thrust of the business and to state explicitly the geographic areas and target market (account class) segments they intend to reach. In the event that branching is opted, this process inevitably leads to consideration of product lines that should be offered at the new location and such matters as vendor alignments, customer service requirements and competitive conditions.

Step 2—Formulate Criteria: Once such objectives and plans have been resolved and documented, the next step is to develop criteria for screening various market areas, building sites, acquisition candidates, merger opportunities, and the performance criteria by which each candidate will be judged.

There are no hard and fast rules for these criteria, but there are several areas that must be considered:

- Volume, Growth and Market Position—sales growth rate, market/competitive position, operating profit ratios, return on assets employed, market image
- Manageable Business Size—maximum scale

of operations
- Management Talent Available—acquirer's management team, key operating personnel, potential of those assimilated under acquisition
- Geographic Coverage Pattern—practical range of operation, influence of technology, product perishability and technical service considerations
- Availability of Lines—desired lines available, impact of exclusive/selective distribution agreements
- Market Potential Information—minimum size of potential target markets
- Adequacy of Systems and Procedures—responsiveness, accuracy
- Competitive Niche Analysis—place/reputation in marketplace
- Fit with Existing Business Style—acceptable level of compatibility.

Step 3—Search and Evaluation of Candidates: This step involves both analysis and judgment; it may be one of the most difficult and time-consuming parts of the process. Where possible, it is wise to seek information from two independent sources. This reduces the likelihood of bias and overstatement of opportunity or problems. The various opportunities and candidates should be compared along the previously developed common criteria and they should be ranked in order of desirability and fit.

Normally, a candidate is identified as attractive because of its potential market access or its financial condition. Hence, a preliminary objective analysis of these aspects should be made first, along with an assessment of the candidate's management personnel and practices. If the candidate passes this initial screening, additional information should be sought about its internal capabilities, financial approaches and market position. In effect, the evaluation process is repetitive, sometimes involving several cycles before a decision can be made.

Step 4—Decide on a Candidate: The logical flow of this process—from identification of objectives to integration of acceptable candidates in the acquisition organization—dictates that at some point decisions must be made. The decision to accept or reject a candidate incorporates considerations of financial viability, timing, vendor access, funding and legal matters. Undoubtedly, an outside appraisal of the assets, market area and management talent is advisable.

However, even with expert advice and exhaustive collection and analysis of information, such a decision is heavily influenced by judgment. All that the analysis of factual information can do is to provide a testing ground for the perceptions or intuition of decision makers.

Step 5—Implement Branching/Growth Strategy: Once the decision to branch has been made, it is important to recruit help and presell the approach to those responsible for its implementation. Some functions of the implementation process include refining each market profile and building appropriate marketing programs. A host of decisions—promotional, pricing, distribution, service level—must be made, and the result should be a working tool, a roadmap for the specific activities of sales, service, branch management, warehousing, and even key suppliers.

Successful implementation of a branching strategy depends on a successful planning system; neither happens by itself, and both are continual processes. Some guidelines are:
- Plans must have the commitment of key managers. They must work on the process and develop a system best suited for them, for there is no one best format for planning.
- Plans must be simple and easily communicated to managers and operating personnel.
- Plans never should be cast in bronze, but rather should provide guidelines for adapting to change.
- Plans are only as good as the information base upon which they are built and the skills of those who design and implement them.

While the roles played by headquarters and branch management are of necessity different, it is paramount that a joint effort be made. The impetus must come from headquarters, but crucial market information and feedback on conditions must come from branch managers. When the planning process functions properly, a balance is struck between the plans of individual branch locations and the network as a whole.

Keeping Perspective

The decision to branch is a key element of business and marketing strategy, and it cannot be made in isolation. Business expansion involves strategy and management style as well as technical considerations. For it is strategy, not tactics, that must dominate the initial stages of the process. And strategy must be based on an accurate analysis of market conditions and the competitive situation.

Dr. Denis F. Healy is president of Healy and Associates and is the consultant who authored NPTA's future trends study: Growth Strategies in Paper Distribution.

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People Productivity

by Dr. Peter L. Mullins
Management Foresight, Inc.

People are an organization's greatest strength and they are often its greatest weakness. The old saying that 20% of the people do 80% of the work is often as true in business as it is in government. Your goal should be to identify and reward the 20% while helping the 80% improve.

How important are people costs in the paper distribution industry? Even with continuing increases in computerization and automation, the industry still spends about 67% of its operating expense dollars on personnel compensation expenses. ("Compensation" includes salaries, wages, bonuses, commissions and all direct cost fringe benefits such as payroll taxes, pension and profit sharing plans, and health insurance.) (Note: The source of all the statistics in this article is the NPTA/MFI *Annual Performance Analysis Report—PAR.)*

How can you improve the performance of *your* firm? The NPTA report, *Paper Merchant Performance*, and your individual firm *PAR Report* provide a number of measures of "personnel productivity" that can help. These reports won't necessarily tell you who to reward and who to fire; but, they can help you to recognize your strong areas and identify potential problem areas. In addition, the more detailed results available in the PAR Report can help you identify specific areas of weakness and why they are weak.

These reports focus on three basic types of personnel productivity measures—"OUTPUT" measures, "INPUT" measures and "combined" or "EFFICIENCY" measures. The three types of measures are discussed below.

Output Measures

Personnel productivity "output" measures are designed to evaluate what your employees produce—their "output". A typical output measure is "sales per employee"—the total dollars of sales that each employee on the average supports.

"Net Sales Per Employee" Let's calculate this "output" productivity measure for a typical merchant. Exhibit 1 shows the data needed; Exhibit 2 presents the calculation of "net sales per employee".

EXHIBIT 1

DATA NEEDED TO EVALUATE OVERALL PERSONNEL PRODUCTIVITY (Data for a typical firm-ABC Paper)*

Net Sales	$22,000,000
Total Gross Profit (FIFO Basis)	$ 3,200,000
Total Employee "Compensation"	$ 2,150,000†
Average Number of "Full-Time Equivalent" Employees	65

* ABC Paper is assumed to be a printing paper emphasis firm.

† Includes salaries, payroll, bonuses and all fringe benefits such as health and welfare, and pension and profit sharing.

EXHIBIT 2

"SALES PER EMPLOYEE" A WIDELY USED MEASURE OF EMPLOYEE OUTPUT

$$\text{Net Sales Per Employee} = \frac{\text{Net Sales}}{\text{Average Number of Employees*}}$$

$$= \frac{\$22,000,000}{65}$$

$$= \$338,462$$

* Should be "full time equivalent" employees to recognize part time and part year employment.

How is ABC Paper doing? Let's compare its output productivity to the industry's 1985 performance as shown in Exhibit 3. The Exhibit presents median and quartile survey results for "All Printing Paper Merchants". (Note: Most of this article is based on printing paper merchant survey results because they were the most numerous firms in the survey. Only limited results are provided for industrial and dual merchants because of space considerations. Results for such firms can be found in *Paper Merchant Performance* and individual firm PAR Reports.)

EXHIBIT 3

NET SALES PER EMPLOYEE

	Lower Quartile	Median ($000)	Upper Quartile
OVERALL GROUPS			
All NPTA Printing Paper Merchants	$320.72	$407.03	$517.65

How did ABC Paper perform in 1985? Not too well compared to the median "net sales per employee" of $407,030 for all printing paper merchant firms in the survey. ABC Paper's productivity was also much lower than the $421,800 median of firms in its sales volume group and lower than the $376,340 median of firms with its warehouse-direct sales mix. (not shown in exhibits)

What would ABC have had to do in 1985 to achieve a median performance relative to All Printing Paper Firms in the industry? Three approaches are possible:

- Generate more sales with the same number of people
- Support the same level of sales with fewer people
- Some combination of the two.

As shown in Exhibit 3, the median NPTA printing paper firm was able to generate $407,000 in "net sales per employee" in 1985. To achieve this level of performance with its present work force ABC would have to have produced:

$$\$407{,}000 \frac{\text{Sales}}{\text{Employee}} \times 65 \text{ Employees}$$
$$= \$26{,}455{,}000 \text{ in Sales}$$

This is $4,455,000 more than ABC's 1985 sales volume of $22,000,000 and thus represents a difficult task. A more promising but still formidable approach is to explore how many "excess" people ABC had on its payroll in 1985 compared to the median printing paper merchant.

The median firm would have been able to support a 1985 sales volume of $22,000,000 with:

$$\frac{\$22{,}000{,}000 \text{ Sales}}{\$407{,}000 \text{ Sales per Employee}}$$
$$= 54 \text{ Employees}$$

This means that ABC would have to have produced the same volume of business with fewer people in order to have achieved the industry's median performance.

Obviously, either approach would require a major effort and significant change in ABC's operations.

Which is the "correct" answer for the number of employees ABC should have had in 1985? You must make a judgment as to which grouping applies most strongly to ABC. Consider things such:

- median sales volume of firms in the group
- product mix of firms in the group
- profitability of firms in the group.

Also, use these results with other information such as:

- Your marketing approach (service level and intensity)
- Your average order and invoice line size. If your sales and operations people are handling many more orders than employees of other firms the same size, it has to negatively impact their sales and gross profit per employee productivity. Be sure to also check order size and physical productivity measures. This point is discussed further later.

"Gross Profit Per Employee" "Gross profit per employee" is a more powerful "output" measure. It is usually a better indicator of employee output because it is based on gross profit dollars produced. Those activities that require more people support, such as small stock orders, typically require more people "input" per sales dollar, but do (or should) produce higher gross margins. Those activities that require less people support, such as large direct sales, require fewer people per sales dollar and produce lower gross margins. Thus, "gross profit per employee" tends to compensate for different warehouse-direct sales mixes and marketing philosophies.

EXHIBIT 4

"GROSS PROFIT PER EMPLOYEE" A MORE POWERFUL MEASURE OF EMPLOYEE OUTPUT

$$\text{Gross Profit Per Employee} = \frac{\text{Gross Profit}}{\text{Average Number of Employees}}$$
$$= \frac{\$3{,}200{,}000}{65}$$
$$= \$49{,}230$$

The calculation of ABC's "gross profit per employee" is shown in Exhibit 4. When calculating the gross profit per employee for your firm, be sure to use a comparable measure of gross profit. (See Exhibit 1 for the definition used in the NPTA Survey.)

Let's examine the survey results shown in Exhibits 3 and 5 in more detail. There are substantial differences in the operations of printing paper merchant firms. Basically, smaller firms have lower people productivities and firms that rely more heavily on direct sales have significantly higher people productivi-

"Gross Profit Per Employee" is a more powerful output measure

Average compensation results should be used with care.

EXHIBIT 5

GROSS PROFIT PER EMPLOYEE FOR PRINTING PAPER MERCHANTS

	Lower Quartile	Median ($000)	Upper Quartile
OVERALL GROUPS			
All NPTA Printing Paper Merchants	$55.90	$65.06	$76.89

ties—even on a "gross profit per employee" basis. See your PAR Report for details.

ABC's "gross profit per employee" was calculated in Exhibit 4. How did it compare to the industry?

As shown in Exhibit 5, the median printing paper merchant firm achieved a "gross profit per employee" of $65,060 in 1985, well above ABC's performance. Exhibit 6 shows that, based on the gross profit dollars actually produced in 1985, ABC would have had to have operated with only 49.2 employees to be a median performance paper merchant.

EXHIBIT 6

DEVELOPING PERFORMANCE GOALS FOR ABC PAPER BASED ON "GROSS PROFIT PER EMPLOYEE"

Based on the median performance of All NPTA printing paper merchant firms participating in the NPTA/MFI Survey:

$$\frac{\$3{,}200{,}000 \text{ Gross Profit}}{\$54{,}060 \text{ Gross Profit per Employee}} = 49.2 \text{ Employees Goal}$$

Thus, on this basis ABC has 16 "excess" employees (65–49).

Don't assume that just because ABC appears to have "too many" employees, the people are necessarily lazy or poorly managed. It is possible that ABC's customer and product mix were more of a problem than low productivity. For example, very small orders and low invoice line extensions make it very difficult to achieve high people productivities. (The NPTA PAR Report contains a number of measures of physical productivity, such as "invoice lines handled per sales service employee," that can help you to explore output productivity problems in greater depth.)

Input Measures

Because ABC's compensation expense is such a large percentage of its gross profit, you might reason that it is paying its employees too much. This is not necessarily true as shown in Exhibits 7 and 8.

EXHIBIT 7
INPUT MEASURES

$$\text{Average Compensation Per Employee} = \frac{\text{Total Employee Compensation}}{\text{Average Number of Employees}^*}$$

$$= \frac{\$2{,}150{,}000}{65}$$

$$= \$33{,}080$$

* Must use "full time equivalent" employees. Be careful of possible owner-manager pay distortion in smaller firms.

EXHIBIT 8
AVERAGE COMPENSATION PER EMPLOYEE FOR PRINTING PAPER MERCHANTS

	Lower Quartile	Median ($000)	Upper Quartile
OVERALL GROUPS			
All NPTA Printing Paper Merchants	$39.40	$34.57	$31.23

ABC's "average compensation per employee" was $33,080 in 1985. This is $1,490 less than the 1985 NPTA All Printing Paper Merchant median of $34,570.

Overall, average compensation results should be used with care. You might have a large number of lower paid clerical and warehouse employees that pull down the average compensation level of your firm. This could obscure the fact that you have some employees, such as in sales, that are overpaid relative to others in the industry. Thus, your primary focus should be on functional area productivity and employee compensation levels. For example, your NPTA PAR Report contains detailed survey results for average pay of:

- Office Employees
- Outside Sales Employees
- Sales Service Employees
- Warehouse Employees
- Delivery Employees.

Efficiency Measures

ABC's compensation expense problem is a result of low productivity which is not fully offset by lower than average employee compensation. How do these "input" and "output" measures fit together? Two "efficiency" measures explore this important concept. They are:

- "Compensation as a Percent of Gross Profit"
- "Personnel Productivity Index".

"Compensation as a Percent of Gross Profit"

As shown in Exhibit 9, this can be thought of as the ratio of employee "Input" ("average compensation per employee") to employee "Output" ("gross profit per employee"). Or, it can be calculated directly by dividing the total dollars of compensation paid by the total dollars of gross profit produced.

ABC's 67.19% "compensation to gross profit" is quite high compared to the 1985 "All Paper Merchant Firms" median of 54.4%. In fact, it is much higher than the lower quartile value of 58.71%. It would require a major effort for ABC to achieve the upper quartile of 49.1%.

Compare the performance of your firm to the industry results shown in Exhibit 10 and/or your PAR Report. If you are higher or lower than the industry results, it is because of productivity (output) or compensation (input).

EXHIBIT 10
PERSONNEL PRODUCTIVITY INDEX

	Lower Quartile	Median	Upper Quartile
OVERALL GROUPS			
All NPTA Printing Paper Merchants	1.70	1.84	2.04

Summary

The discussion above briefly reviewed ABC's 1985 people productivity and compensation performance relative to that of the firms that provided data for the 1985 NPTA/MFI Survey. ABC's management should follow up on the above initial analysis to pinpoint its areas of weakness in more detail. The PAR Report presents productivity results for the major functional areas of your business such as: administration, office (clerical), overall sales department, outside sales, sales service, warehouse and delivery.

Measures of both economic output such as "gross profit per sales department employee" and physical output such as "average daily warehouse invoice lines per warehouse employee" are provided. You should, of course, recognize the degree to which your firm may be more or less computerized and/or automated compared to the average firm in the survey. Also, be particularly sensitive to your order size and warehouse-direct sales mix compared to other firms.

EXHIBIT 9
A COMBINED OR EFFICIENCY MEASURE OF PERSONNEL PRODUCTIVITY
TOTAL COMPENSATION AS A % OF GROSS PROFIT

A. An overall "efficiency" measure. (Also known as the PPR—Personnel Productivity Ratio.)

$$\text{Efficiency} = \frac{\text{Input}}{\text{Output}}$$

$$= \frac{\dfrac{\text{Total Compensation}}{\text{Average Total Employees}}}{\dfrac{\text{Gross Profit}}{\text{Average Total Employees}}}$$

$$\underline{\text{OR}} = \frac{\text{Total Compensation}}{\text{Gross Profit}}$$

B. Calculation of "Total Compensation as % of Gross Profit" For ABC

$$= \frac{\dfrac{\text{Total Compensation*}}{\text{Average Total of Employees}}}{\dfrac{\text{Gross Profit'}}{\text{Average Total Employees}}}$$

$$= \frac{\dfrac{\$2{,}150{,}000}{65}}{\dfrac{\$3{,}200{,}000}{65}}$$

$$= \frac{\$33{,}080 \text{ "Average Compensation per Employee"}}{\$49{,}230 \text{ "Gross Profit per Employee"}}$$

$$= 67.19\%$$

$$\underline{\text{OR}} = \frac{\text{Total Compensation}}{\text{Gross Profit}}$$

$$= \frac{\$2{,}150{,}000}{\$3{,}200{,}000}$$

$$= \$67.19\%$$

*Includes "Total Payroll" + "All Fringe Benefit Costs" (See Ex. 1).
'Non-LIFO Gross Profit

You should earn a high return on the time you invest in using the NPTA survey results to analyze the productivity of your firm's employees. Try it.

STATEMENT OF OWNERSHIP MANAGEMENT AND CIRCULATION (Act of October 23, 1962; Section 4369, Title 39 United States Code)

1. Date of Filing: September 30, 1986
2. Title of Publication: NPTA MANAGEMENT NEWS
3. Frequency of Issue: Monthly
4. & 5. Location of known office of publication and headquarters: 111 Great Neck Road, Great Neck, New York 11021
6. Publisher: National Paper Trade Association, 111 Great Neck Road, Great Neck, New York 11021
7. Owner: National Paper Trade Association, inc., 111 Great Neck Road, Great Neck, New York 11021
8. Known bondholders, mortgages, and other security holders owning or holding 1 percent or more of total amount of bonds, mortgages or other securities: None.
9. The purpose, function, and nonprofit status of this organization and the exempt status for Federal income tax purposes has not changed during the preceding 12 months.
10. Extent and nature of circulation:

	Average No. copies each issue during preceding 12 months	Single issue nearest to filing date
A. Total no. copies printed	5,727	9,050
B. Paid Circulation		
1. Sales through dealers and carriers, street vendors and counter sales	0	0
2. Mail subscriptions	4,219	4,473
C. Total paid circulation	4,219	4,473
D. Free distribution (including sample) by mail, carrier or other means	1,420	4,500
E. Total distribution	5,639	8,973
F. Office use, left-over unaccounted, spoiled after printing	88	77
G. Total	5,727	9,050

I certify that the statements made by me above are correct and complete:

(Signed) William H. Frohlich

Ready Or Not - Here Comes EDI

Paper distributors are showing a growing interest in Electronic Data Interchange. Their suppliers are creating networks and some merchants are experimenting with hooking up their customers. Many questions remain unanswered. MN will try to keep its readers up on the latest information in this area.

by Herb Brownett
Director of Finance
and Administration
JB Papers
Union, NJ.

Electronic Data Interchange (EDI), the processing of routine business transactions via direct computer-to-computer networks, is coming soon to the paper industry. The American Paper Institute (API), working under the auspices of the ANSI X–12 committee, has completed the necessary standards for shipping manifests and is nearing completion on standards for invoices and purchase orders. This work is proceeding rapidly due to a substantial commitment by a number of mills. The Electronic Manifest Bar Coding (EMBARC) system for electronic manifesting and bar coding of paper stock shipments, published by the Graphic Communication Association (GCA), has been operational for several years.

Now the way we transact business with our suppliers, and potentially our customers, will be changing dramatically in the next several years. For this reason, it is important for paper merchants to have a basic understanding of the subject. I will attempt to provide that here.

What Will Be Standardized?

First, what is ANSI X–12? ANSI is the American National Standards Institute, the recognized coordinator for information on national and international standards. X–12 refers to the committee that ANSI set up to develop uniform standards for inter-industry interchange of business transactions.

What, you may ask, must be standardized? The X–12 Business Data Interchange Standards consist of:

1. transaction set standards;
2. a data dictionary;
3. a segment directory; and
4. transmission control standards.

Transaction set standards and the segment directory defines the procedural format and data content requirements for specified business transactions, such as purchase orders.

The data dictionary defines the precise content for data elements used in building transaction sets.

The transmission control standards define the formats for the information required to interchange data. These controls are already in use by some industry groups.

It is important to understand that what is being standardized is the form of the transaction. For example, in the case of a purchase order, it will be agreed exactly what pieces of data (P.O. number, order, date, etc.) will be provided. Standards for each data element, like how many digits a P.O. number can have, must also be established. Within a manual system context, it is analogous to designing a purchase order form that the whole world can use. If you think this sounds easy, the P.O./invoice transaction set already includes almost 300 data elements.

Software, Not Hardware

It is also important to note that these standards have nothing to do with hardware. The whole objective is to allow existing systems to work together. The hardware problem will be handled by an electronic clearing service such as General Electric Information Systems Company (GEISCO). This service is capable of receiving data transmissions from one type of hardware/operating systems and converting it to another and retransmitting the data in converted form. This means that your existing computer systems can effectively be on-line with your mill supplier's or customer's computer without having a room full of different terminals.

This sounds wonderful, but first there has to be a standardized transaction set, so everyone can program their systems with exactly the same form for each type of transaction. With standardized transaction sets in place, it will then be possible to connect the wide variety of computer systems and hardware in the paper industry directly together via an EDI clearing service.

That is what the API-EDI project is all about.

DELETE TIRED PHRASES FROM YOUR LIFE

"Phrases once beautiful or witty or mind stretching are ignorantly misused and repeated until, degraded into meaninglessness, they become cliches," reports Forbes *magazine editor James Michaels. "Such cliches make for tiresome reading, and worse, imprecise writing."*

Have you checked yourself lately for leftover idioms, trite or tired phrases? Take a look at your business letters and listen to a tape of your next sales meeting. Our business language is literally filled with wornout words that never seem to die. We just keep adding new terms to the list. . .a list that is growing ever longer. And now, phrases that came aboard only last year, are dying on the vine right now.

We keep the old, trusted metaphors around like dear friends. We're comfortable with them. We even joke about our associates who harp on one particular phrase as if we never commit the same sin.

How many words would you like to change in this sales manager's opening remarks at his monthly meeting.

"Gentlemen. Our game plan today is to talk-turkey about our bottom line. We've got a track record that just won't quit, but we can't stop there. We're got to steamroll our competition with all the new bells-and-whistles we can get. Our on-going research has shown that our hands-on-management style has paid big dividends for us. We're rolling. We've attracted attention. The movers and shakers in this town have noticed. We've got new ideas to run up the flag pole, new mountains to climb, new risks to take. And, our long range plan is a good one. Lets eye ball it right now and on the upside we can. . .

LEARNING NEVER ENDS

It is the wise manager who keeps learning—about his industry, his job and the people he manages. Learning opportunities abound. Whether in the office, on the road, at home or on a business trip, the aggressive manager seeks out opportunities to grow.

Management force drives the industry—not sales. Without management structures, there would be nothing to sell. The company manager creates the environment where sales can happen. That's why his knowledge, expertise and skills must be nurtured. Learning, continually, is the key to success. If your not learning, you've stopped growing.

Today's Professional: "A Real Square"

by Ira Westreich
Westreich Associates
Speaker-Trainer-Seminar Leader-Consultant

As the marketplace moves rapidly through the '80s, pointing clearly to the final decade of this century, it is becoming increasingly evident that training doesn't cost—it pays. Coupled with that realization is the sensitivity to the best approach to the training needs of our sales and management teams. There is a growing awareness of what our results-oriented employees seek for their own development.

"Professional" is the word for our sales and marketing personnel. Therefore this dissertation focuses on Today's Professional—"A Real Square." It examines the following four basic component mini-squares that comprise the whole.

TODAY'S PROFESSIONAL "A REAL SQUARE"

I. Product Knowledge —Service Knowledge	II. Selling Skills —Action Skills
III. Human Resource Awareness A. Communication Skills—Oral/Aural B. Values and Attitudes C. Goals/Motivation D. Time-Self Management E. Stress in the Marketplace	IV. Commitment to Self A. Image B. Triangle of Success

Product Knowledge

This is a concern in developing the professional. Interestingly, the majority of sales people believe product knowledge is the main component of the whole concept. In reality, our understanding and grasp of our offerings is but roughly twenty-five percent of the whole picture. Even at that level, many organizations fall noticeably short in filling that need. People in sales and marketing must be acutely aware, without becoming too technical, of the structure, features and benefits (we really only sell benefits), and the difference as compared to other competitive products facing the market. Know your product. Know it well. But, above all, present it well.

Selling Knowledge

The second of the fractional parts of Today's Professional "A Real Square" addresses the selling or action skills of those at various levels of management. We run a wide gamut of skills development across the vast expanse of today's business world. There are examples (too many, unfortunately) of organizations which place little or no emphasis on skills development. Some occasionally but irregularly get involved in formal, structured development. Others look outside for consulting input and training seminars on a regular basis, while some look for a quick band-aid treatment. What is evident here is that companies which do not zero in on regular, structured skills development, whether inhouse or outside, have not yet accepted their responsibility for the single most important ingredient of their organization: people growth and development. Relying on OJT (on-the-job training) or SOP (seat-of-the-pants development) as the sole basis for personnel growth is both naive and trusting to luck.

Through development, today's Professional sales person understands that he or she should be earning the right to say or do the things they have to do or say. Today's Professional understands that selling is more asking than telling. It certainly is not pitching; rather, it is playing catch. Professionals must be trained to understand the concept of subtle control and building commitments as a positive path to closing sales. To attain

top production, sales people must be taught to understand how mandatory it is to move out of the comfort zone to bleed and get bruised. We need to teach sales people that they are more than peddlers or intruders and that they are partners in helping customers arrive at decisions which benefit them. Shaping pegs to fit the holes must be continually drilled into sales people's concept of selling.

Selling is more than handling objections and closing techniques. Above all, the theory of the proverbial R's in adult learning must prevail, i.e., repeat, reiterate, refresh, remind, review, and reinforce.

The foundations of effective and productive selling are based upon the concept of caring, communicating, controlling and concluding. Concluding simply means that we have attained a close. Or, as an alternative, we clearly understand why the sale was not consummated and what our next step should be.

No sale? What next? When? Why? The professional sales rep should have a clear understanding that every sales call should be a happening—an event; i.e., Extract Value from Every New Thrust. The accomplished Professional should be performing atop four pedestals.

- Maintain—and maintain well—my current business and account base.
- Extend my productivity with increased volume and greater product mix.
- Establish new doors into which I should be walking.
- Track diligently the development, levels of productivity and the agreements that I am building with my customers and prospects.

Selling is a full-time job. The question is not how many hours we spend in the marketplace, but rather the quality of the hours.

Human Resource Awareness

The third segment in understanding the concept of Today's Professional "A Real Square" deals with human resource awareness. Involvement here means fine-tuning five basic human resource paths:

- Communication skills—both oral and aural
- Values and attitudes
- Goals, targets and focus
- Time awareness
- Stress awareness

Let's examine briefly the significance of each of these human factors.

Communication Skills: The effective sales person should clearly understand that delivering our message to the customer is built upon seven key steps:

1. Image—how do you see yourself?
2. Individuality—maintain your personality and style.
3. Identification—what do you want to happen?
4. Intention—what is your plan of action?
5. Intensity—deliver with inner conviction.
6. Insight—how is the message being received?
7. Impact—have we left our mark?

Critically important is understanding that we must solicit and receive feedback and involvement from the customer. This requires asking and listening—a skill more important than telling. We ask and listen because:

A. We need information.
B. We want our customers to see that we care about what is right for them.
C. We wish them to see our good method of questioning.
D. We would like them to hear clearly what their own thoughts are.

The "pitchman" in the sales arena does little more than utter words or sounds. The Professional sales person exchanges thoughts and feelings. Simply stated, communicating is getting through, not just giving out information.

Values and Attitudes: There is no place in the selling situation for differences in value scales and points of view. Our backgrounds, in terms of ethnic groups, economic status, education, religious affiliation, geographic upbringing and family ancestory should not be allowed to get in the way of building business rapport and credibility. Acceptance of the other points of view and the other values in approach to life is critically important so as to minimize subtle, hidden objections and obstacles.

Probably the most essential understanding of attitudes is referred to as the "Triangle of Attitude." The three sides of that triangle are:

1. How do I feel about my customers?
2. How do I feel about myself each time I make a sales call?
3. How do I feel about my company and my product lines?

If our triangle is solidly built and maintained, our effectiveness cannot help but be increased.

Goals, Targets and Focus: Primarily, we must digest the basics of all goal setting. Those basic goals must be realistic, attainable, clearly written down with a game plan, with accountability to some other individual established and maintained.

Time Awareness: Our time is most precious. *Time*—To Implement My Energies. This writer thinks of time not as time management, but rather as time awareness. Time is now—today. Sales persons' constant focus should be on how to save time through planning and preparation—ways to save time during the call, ways to save time on non-selling activities, and ways to save travel and waiting time. If we maximize our control of time, our productivity will be visibly increased.

Stress Awareness: We want to deal with stress mainly in terms of arranging delivery of goods and services to our customers. On the one hand, stress within certain limits is a very productive quality. It causes the adrenalin to flow—a positive aspect for sales people. On the other hand, excess of stress can be counter productive because it drives up our emotional reactions which drive down our activity. Stress is two-pronged. One prong is merely our perception of the things, events and circumstances that surround us. In its simplest form, we could say, "Stress is an inside job." The other prong is the reason stress occurs. In selling, we create a stressful climate for three basic reasons:

The foundations of selling are based on caring, communicating, controlling and concluding.

DIMENSIONS IN TRAINING

1. Misused and abused time, with all its ramifications
2. Incomplete information or unanswered questions because we either lack courage or persistence
3. Self-imposed limitations through poor priorities or insufficient tracking and evaluating.

How do you identify your involvement and your behavior?

Commitment to Self

The fourth mini-square of the "Real Square" concept is commitment to self (CTS). Here, three component considerations must be examined. Initially, we deal with our self-image. How we see ourselves leads to how we think. And the way we think leads to our behavior and performance. How we behave and perform lead us to the results we get. When our results are meaningful and productive, they reinforce the initial step—the image we maintain of ourselves.

The CTS sphere is also concerned with the "Triangle of Success." One side of the triangle refers to dollars that we produce. The second side refers to rank, title, authority, responsibility and other similar thoughts, provided they are important to us. The third side considers peace of mind, satisfaction, gratification and ego support. Which of these sides or combinations is important to you?

The final consideration of Commitment is winning the daily battles of our personal integrity and credibility over skepticism, indifference, self-imposed limitations and doubts. Most of us should understand that doubts are our greatest traitors. Further, commitment speaks loudly of our intentions. Commitment is taking bold action which is stronger than words. Commitment is making the time when there is none. Commitment is coming through time after time after time. Commitment is having the strength and the impact to change the way things are.

Each and every one of us is exactly who we are, where we are, what we are because we either make it that way or we allow it to be that way.

Who are *you?* Where are *you* going?

For more information, contact Bruce Linden, Education Department, NPTA.

CHAIRMAN'S CORNER

WELCOME, MY FRIENDS

It gives me great personal pleasure to write my first column as chairman of NPTA. I am very proud of my industry and my Association, and I hope to comment on both as we go through this year.

First, I think you will agree that we have just concluded what is destined to be remembered as one of the best NPTA Conventions ever held. The 50th Anniversary of the show was a sellout, and we had more merchants in attendance than ever before. The meetings, the special events, spouses' programs and the Chairman's Luncheon were all first rate. If you didn't make it to the Convention this year, you really missed something special. Make plans now to join us in Atlanta September 19–22, 1987.

At the Convention where I was elected to this high office, we paid tribute to a man for his outstanding contribution to the industry: Howard C. Ris. I would like to add my recognition of another man who worked tirelessly for NPTA during the past year: Richard W. Abrams, now past chairman of NPTA. He's a tough act to follow: no one has written more letters, made more phone calls or generated more support for this organization than Dick. He gave us an accent on people that will have a lasting effect on NPTA. And for that we are all grateful.

During my [illegible]re as chairman, I hope to accomplish many of the things Dick and the other former chairmen put in motion, and maybe add some new wrinkles. We will focus more on the education of our people, as well as how we can evaluate their performance more effectively. We will reach out to those companies that are not yet in the fold to increase our representation of the industry. There will be a stronger marketing support system to serve the members better. *Management News* will be enhanced to keep it the premier magazine in the paper distribution industry. We will see more industrial product-specific programming. And, in this year, the first "endowed chair" project will be launched by the PAPER Foundation at the University of North Florida.

It's a healthy menu, but I know we will achieve these things if we plan accordingly. The wheels are already in motion, and as we have a very strong staff at our headquarters office, I know that I will be able to report to you some 10 months hence . . . Mission Accomplished!

Francis J. Houlihan

Francis J. Houlihan
NPTA Chairman

Ira Westreich has presented over 150 sessions each year on Sales Motivation, Oral Communication, Time Awareness, and Management. He was a former trainer and sales management supervisor for a national sales organization, director and senior seminar leader for a regional management consulting company, and then formed his own consulting organization.

Dead Stock: The Profit and Control System Crippler!

This series is an excerpt from Gordon Graham's new book, Computerized Inventory Management for the Distributor-Updated!, planned for publication in 1987.

This is the third of three parts. *Phase 3: Coordination; Phase 4: Disposition.*

Most distributors' efforts to rid themselves of dead and slow stock are "hit-or-miss" affairs. The efforts are fragmented. The president may even assign a committee of sales, purchasing and operational executives to get rid of the junk, or at least to develop a suggested program for his approval. Nobody wants to work on dead stock, of course. It's a nuisance, frustrating and very time-consuming. Most of the activity, related to dead stock, is a concentrated effort by all employees to avoid being assigned to work on it. No one can get fired over dead stock. So what's the answer?

The Dead Stock Coordinator

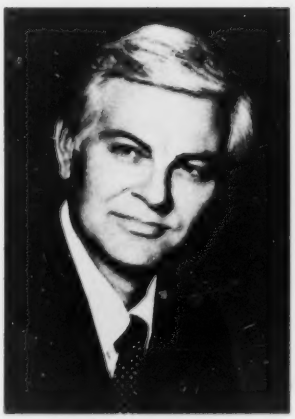
Someone must be put in charge who can get fired over dead stock! Every distributor needs a dead stock coordinator who, for this responsibility, reports directly to the president. If you have as much as $5 million total invested in inventory, the job should be full-time, because there's a good chance 40% of the $5 million is non-productive. 30% per year carrying cost on $2 million is $600,000...and that would pay for a bunch of coordinators, wouldn't it?

If you have less than $5 million invested, you could start with a part-time position. Either way, the coordinator reports to the boss for all dead stock responsibilities. He or she is to function as the president's eyes, ears, and nose for this program...making sure that the boss stays well informed, since the program involves some of the president's five major priorities. But let's clarify something very quickly: The coordinator is not responsible to get rid of the deadwood. His or her job is to administer a management-approved program that will dispose of the non-productive inventory. Failure to administer the program as instructed could get the person fired.

The Team

Working with the coordinator is a team of people appointed by the president. By the nature of their jobs, certain executives definitely should be included: The sales manager, purchasing manager, operations manager, and perhaps others in your particular company. The coordinator's job, like the entire program, is permanent. You'll always generate some dead stock. You'll always need the function. You don't want your dead stock efforts to be hot for a while and then cool off. Now, to understand how the coordinator works, let's discuss the last phase of the Dead Stock Program.

Phase 4: Disposition Steps



By Gordon Graham

No activity begins until the president, the coordinator, and all president-appointed team members sit down in a meeting or series of meetings to work out the steps of the disposition plan. They start by asking a basic question: "What's the best thing possible that could happen to a block of dead stock around here?" The answer...which becomes Step 1 in the plan: Sell it, at full price, right where it sits. Don't move it somewhere else! Give that a try. Sales gets the job. Allow about two weeks to see what happens, and then move to Step 2.

Step 2 should be: Sell it, right where it is, at cost or above! For whatever doesn't move in Step 1, you'll now accept any amount down to cost. Sales gets this step also. Step 3 might be: Move it to another company location where you feel there's a chance to sell it at cost or better! Why not try that earlier? Well, when you move the dead stuff, you must invest additional money in pick/pack/ship expenses and freight costs perhaps. It's cheaper to sell it where it is at cost. Step 3 might be assigned to purchasing, the corporate operations manager (if you have one), or to the coordinator.

Step 7 or 8 might be to send material back to the supplier if you can. Purchasing gets the job with 30 days to arrange the return. Why is this step so far down the list? By the time you pay the freight, restocking charges, inspection charges, etc., what will you get back...50 cents on the dollar? Better to try other ideas first. Step 16, ten months into the program perhaps, is to donate the material. Step 17 (or whatever?) Call the scrap dealer.

That's the concept. The president, coordi-

Do you get the picture? The power to drive the program comes from the president . . . not the coordinator.

nator and team work out the step sequence, the assignments, the time allowance. Now, the coordinator can go to work. Now, the coordinator has a management-approved package, a progression of stock-disposition alternatives, a definite plan to adminster and others in the company (assigned by the boss) to help execute the plan. For most steps, the coordinator is the administrator...the other team members are responsible for execution.

The Plan Gets Underway

First,the coordinator divides all the material for disposition into several blocks or lists. The first blocks have the most money. The obvious goal of the entire program is to return as much cash out of the deadwood as possible, so common sense says: Start with items representing the most money in inventory! The original list for disposition is now subdivided into perhaps 10 or 12 smaller lists. It's time to begin the program. The coordinator walks into the sales manager's office:

Jack, here's the first group of dead items for our new program. It's time for Step 1. You remember...you were in on the meetings where we worked out the series of steps. I'll be back in two weeks to see what's been sold.

Let's pretend that the sales manager's interest has really cooled since the meetings a few weeks back. He's having a bad day; had a fight with his wife this morning; lost a key salesman; and is in no mood to fool around with dead stock. He replies:

Get the heck out of here! I haven't got time or people to devote to this junk! I can't work on it right now.

The coordinator couldn't care less. He also has a reply: *Fine with me. Just sign here on this form that you're taking no action on block number 1. It might be a good idea to put down your reasons, but if not, it's okay by me.*

The sales manager signs. Where do you suppose the coordinator trots off to next? Sure, the president's office. Now the president makes a call:

Jack, get in here! What's this stuff about 'no action' on the first list of dead items? You sat in the meetings where we all worked out the plan; you heard me tell you how vital it is to recover our cash from this trash that you pleaded with me to stock; and that getting rid of it is one of my five major priorities from now on! Well buster, it's one of your major priorities also. I expect you to follow the plan. I expect you to devote some effort to the program each week, and I do not want to see any more 'no action' reports from you!

Do you get the picture? The power to drive the program comes from the president...not the coordinator. The coordinator is in trouble if he or she fails to administers the program: Get the lists to the proper people; follow-up after the allowable time; mark up a master list to remove what's been sold; get the revised list to the person responsible for the next step; report to the president each week how much has been sold, in what steps, who's cooperating and who isn't. Only the boss can see that people perform, but the coordinator keeps him well-informed. It's a very important job...maybe not all that popular, but important.

Find Your Agnes!

In training sessions, I tell the attendees: "One of the great advantages of attending this session is that you can avoid this job! Already, you're plotting to find the 'bulldog' in your company who would be perfect as the coordinator." Maybe that's true here also. The advantage in reading this article is that you can avoid the job. In a sense, the coordinator is sort of the company "rat fink," who causes the boss to get on someone's case if they fail to work on the program as they should. Every week, they'd better spend sometime on the step assigned to them, because ol'Agnes will be checking up on Friday and reporting both good and bad results to the boss.

Revising the Program

Nothing about the program is set in concrete. Periodically, the president, coordinator, and team get back together to assess the program's success. The sequence of steps might be rearranged; new steps tried; other steps deleted if they've proven ineffective; the time allowances are altered; responsibilities are reassigned. The program works because the company works it and because they work on it!

Success results from this as well as one other important aspect: The light is never off the problem! The heat (provided by the boss with help from the coordinator) is always on! As tedious as it is to put effort into dead stock; as much as everyone involved would rather work on (what they consider to be) more productive pursuits; as slow as results are in coming...all involved must spend sometime each week on the program. That's why it works.

That's why it returns to service lots of cash that had been "trapped" (as Bruce Merrifield says).

The Steps to Try...
Your Disposition Alternatives!

Now to the secrets you've been waiting for since this article began: My guaranteed, mystical, beautifully-developed methods for getting rid of dead and slow-moving merchandise:

1.
2.
3.
4.
5.
6.

Six ought to be enough. Does it surprise you that there are no brilliant, "hidden-until-now" techniques to turn dead stock into cash overnight? How long did it require your company to accumulate all your deadwood? In the same way, you won't rid yourself of it in a few weeks unless you're willing to accept ten cents on the dollar.

That's why the term "disposition" must be qualified. Anybody can dispose of material one way or another. The intent of the dead stock program recommended in this article is to recover the maximum investment percentage (even a profit, if possible) through a downward progression of alternatives. You'll recover the most if you can move the stock in Step 1; less in Step 2; while Step 15 may get nothing back but scrap value.

Each distributor finds some steps more effective than others. The sequence, or timing, or responsibility-assignments vary from industry to industry, from one geographic area to another, from one set of competitive conditions to another. You must work out YOUR OWN company's program! ...but to assist a bit, let's now review the time-tested, "good ol' standby" methods for disposing of non-productive merchandise. Notice that there are no numbers assigned to these ideas...on purpose! They're provided as food for thought, not as the sequence you should adopt. (See Disposition Steps in box)

More About the Special Write-Off at Higher than Cost

Are you familiar with IRS Code 170(e)3? This Internal Revenue code allows distributors to donate slow-moving and dead inventory to certain organizations and deduct up to 200% of the book value. Rather than attempting to explain the tax law here, I suggest that you con-

Disposition Steps

- Sales "Push" Campaigns which place a planned, coordinated, measured emphasis on the dead and slow stuff, but with prices at normal levels. Incentives offered to all salesmen.
- "Close-Out" Sales Efforts which offer merchandise to customers at discounted prices . . . down to actual cost. Don't get greedy here! If you'll be satisfied with cost, let the salesmen have anything they get above cost.
- Transfers of material to other company locations with a history of activity on the items. A branch might become overloaded on an item, but it's better for all the stock to be there with a chance to sell at cost or above, than for any of it to be elsewhere.
- One-Item Sale to Specific Customer. Occasionally, a large block of stock can be sold to one account (especially when you tell him that it will no longer be available locally), where "piece-meal" sales efforts might recover more but require a lot more selling time.
- Sales to Competitors at cost, or at cost + 10%.
- Sales to Anybody at 80 to 90% of cost.
- Returns to the Suppliers while absorbing the restocking charges and freight, or perhaps only the freight if the vendor agrees to an offsetting purchase order.
- Lists Supplied to Vendors enlisting their direct help in moving stock to distributors in other areas.
- Trade Association "Clearance" Newsletters where you're permitted to list a limited or unlimited number of items. The trade association circulates the lists to all members as one of their services.
- Substituting slow-moving, expensive material when customers order less-expensive products. A customer doesn't care which hammer he receives, so you ship higher-priced (but non-selling) brand 2 when he orders brand 1. The customer gets a better hammer at a lower price; it's costed at the lower cost; the salesman doesn't suffer; and the company absorbs the difference.
- Garage Sale, where a large quantity of dead material is collected in one location and advertised for sale to anyone that wants it (customers, competitors, employees, general public). If the public thinks they're getting something at "wholesale" prices, they'll buy stuff they don't even need.
- Close-Out Merchandise Counters, to encourage the impulse buyers and bargain hunters.
- A Permanent Branch or Store, operated by your company, with regular hours and some form of advertising. Newly-identified deadwood flows regularly from all branches to the "store," so that the clientele find something "new" on nearly every visit. This concept can really pay off in a multi-branch network. The coordinator approves material transfer into the store at full cost. At year-end, any profit or loss from the store's operation is shared proportionately on the basis of branch participation...the value of material each one sent in, etc.
- Flea Market Sales Participation. Your employees take turns hauling merchandise to area flea markets on weekends. The employee receives 25% of the receipts, as long as he sells items at or above pre-set amounts. You'd be amazed at the strange things that can be moved in these sales as "bargains."
- Special Write-Off at Higher than Cost, when donating merchandise to organizations that qualify under IRS Code 170(e)3. In some cases, you may deduct up to 200% of cost. More about this below.
- Normal Write-Off After Charitable Contribution to organizations such as hospitals, nursing homes, schools, Salvation Army, Goodwill, United Fund, Red Cross, etc.
- Write-Off and Sale to Scrap Dealer. You're lucky to get 10 cents on the dollar when you must resort to this step, but a dime is better than letting the material gather dust.

DISPOSITION STEPS/CONTINUED

- **Write-Off and Haul to the Dump.** Nothing else is left, but you don't want to keep sitting on the junk at 30% carrying cost per year. Some distributors have found as high as 50% of their "book" inventory value actually to be worthless...because nothing was done about the absolute junk for 10 or 15 years. It was left on the books. If you get into that fix, you'd better hope the bank doesn't check your actual inventory value against loans they've made to you. They might just call your note.

- **Pray**...for a flood, earthquake, fire, tidal wave, invasion, or riot. These can solve a multitude of inventory problems, but don't do as some desperate distributors have done...try to help the Lord out by creating a disaster of your own! This will result in an extended vacation at the government's request and expense.

There you have 'em ... 19 unguaranteed ways to move out dead and slow-moving merchandise! I'll bet you have others that could be added to the list.

tact the IRS, your own tax consultant, or the National Association for the Exchange of Industrial Resources (NAEIR) to get complete information.

NAEIR acts something like a clearing house by accepting your dead stock and then sending it on to some 2500 organizations that quailfy under the tax code. The material recipients pay NAEIR a fee to participate. Contact NAEIR at: 540 Frontage Road, Northfield, IL 60093. Telephone 312–446–9111, ask for a packet of information about the tax law, the restrictions, and how to participate. Of course, you may well have local organizations that qualify. Contact the United Fund in your area, or just call any organization that you think might quaify. Ask if they know of IRS Code 170(e)3. If they answer "Huh?," hang up. The groups that qualify know that they do!

Getting the Boss Directly into the Act!

There's another very successful technique for large amounts of dead or slow stock you may have accumulated from one supplier. You'll need the direct help of your president, however. Here are the steps:

A. The list of material is compiled and given to the boss. He contacts the top executive (chairman, president, division manager but no lower) of the supplier and requests an appointment there at the supplier's home office. When asked "What do you want to talk about?," the president sidesteps by saying: "I'll tell you when we meet!"

B. Your president travels to the supplier's home office, alone, at your company's expense. He takes the material list with him.

C. When the meeting takes place, the boss uses any one of several reasons why he needs "special dispensation" from the supplier to return the dead and slow stock without a restocking charge...even if the regular allowance for the year has been exhausted already or if the supplier has no return provisions at all.

"We're opening two new branches this year, and to add the inventory we should, we need to clean our house elsewhere!," or "We've just bought out a competitor, and in the process took ownership of lots of material. We need help elsewhere with slow stock on just a one-time basis!" or "We're going onto a new computer system. It's very expensive, and we need to return this material to begin this new system in a cleaner position and to help our cash flow...again, it's a one-time situation!" Any excuse like this is justification for the meeting.

D. Your president has made the trip at his expense. He came alone. The impression created is that this request he's making is very important...at least to him!

Two possibilities can result from this meeting of top executives:

1. The distribution company president will leave with some kind of special return authorization. It may be permission to send back the entire list with no restocking charge. It may be a requirement to accompany the return with a dollar-for-dollar purchase order for other merchandise...or, a 2-for-1, or 4-for-1, whatever can be negotiated.

2. He will be turned down cold. If that happens, however, you know exactly what your distributorship means to that manufacturer...zero! You should begin an immediate, intense search for a replacement product line.

In nearly every case, if you do mean anything to the supplier, their top executive will authorize special return provisions. That's why you must deal only with the supplier's top man. He made the rules. He alone can break 'em, and he will, to keep the president happy! Everyone else must abide by the contractual material-return rules.

This technique works, but just remember to apply it only in the special cases where it fits: Lots of material involved from the one supplier; the request goes beyond the regular return provisions; and you still buy a significant amount from the supplier. Obviously, if you no longer buy much from the guy, he isn't likely to break his rules to help you out.

INSERT/FLYER PRODUCTION FORECASTED TO GROW BY MORE THAN 7%

A new 600–page study, *The Future of Insert/Flyer Marketing & Production Through 1990* has been published by Strategic Futures, Inc., a New York based consulting and research organization specializing in serving printing, publishing and related clients.

Following are the major findings of the study:

1. It is estimated that merchandisers' expenditures for insert/flyer ("I/F") production and paper were over $3.5 billion in 1985. That is expected to grow to nearly $5 billion in 1990. (All growth figures exclude inflation—i.e., are in constant 1985 dollars.)
2. During that same time frame, paper consumed will increase from an estimated 2.6 million tons (1985) to almost 3.6 million in 1990.
3. Printing expenditures (*excluding* paper, creative and distribution costs) are expected to grow to $2.6 billion in 1990 from $1.9 billion estimated for 1985.
4. Overall, the vast majority of merchandisers surveyed continued to be highly pleased with I/Fs. I/Fs have proven to be highly effective sales generators. They are thought to be more cost-effective than other media, and represent a strong competitive weapon which can provide full market penetration. Moreover, I/Fs offer flexibility in physical characteristics and distribution. They can provide better aesthetics in terms of color, paper quality and graphics quality. Sales results are rapid and measurable. They also have relatively high rates of coupon redemption, versus alternative couponing vehicles.
5. On the negative side, concern centers mostly around possible increases in costs—insertion rates, postal rates and paper/printing costs. There is also concern about insert "saturation" and "clutter" in Sunday papers among at least some merchandisers.

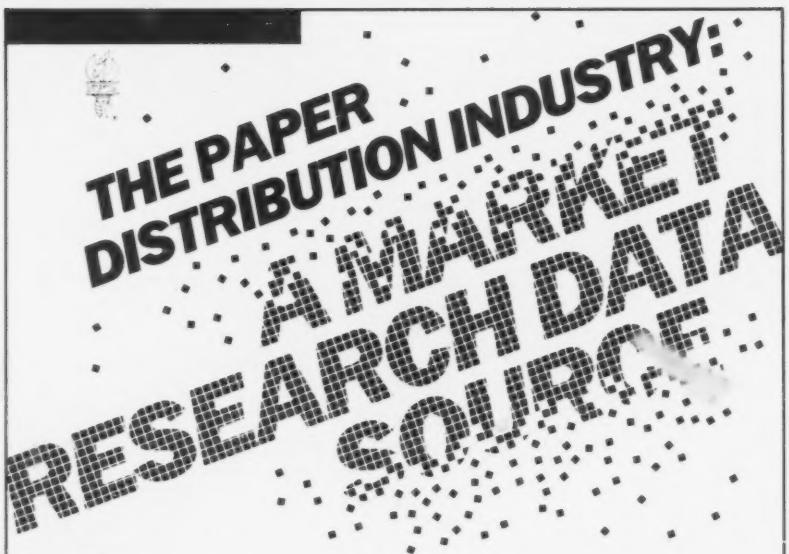
Study results are based on in-depth interviews with over 200 individuals—I/F-using retailers and suppliers (printers, paper companies, equipment manufacturers, distribution organizations) and newspaper publishing executives.

For more information on this multi-client study ($6,800 sponsorship fee until year-end 1986), contact: Strategic Futures, Inc., 595 Madison Avenue, New York, NY 10022, Phone: 212–371–9111 (Murray Halbert).

Summary

This has been a long series of articles, but dead stock demands more than a few words. At today's inventory carrying costs, it's deadly to profits to sit on your junk year after year in the flickering hope that someone will buy it eventually. It ties up cash that certainly could be put to better use...other new stock items that sales needs desparately; new branches in new markets; the chance to make acquisitions when the price and time is right; the need to increase pay scales to retain valuable employees; new trucks; warehouse additions; and up-to-date computer systems; a trip to Hawaii; whatever...but any of these beats leaving the cash to gather dust on your shelves!

Dead stock can cause management to try corrective action on inventory size in the wrong places. Sometimes, an effective system might be discarded or modified because the inventory keeps going up, yet the system performs just as it should on the good material. Dead stock is the real problem. Decide now to work out your program and begin an all-out assault on this profit-drain.



The Paper Distribution Industry: A Market Research Data Source is a comprehensive marketing, economic and financial analysis of the U.S. paper distribution industry. With newly-released Government information from the Census of Wholesale Trade, NPTA-sponsored primary research, and wholesale distribution consultants' opinions, the report represents a unique view of this $24 billion per year business. For more information call the National Paper Trade Association's research department at (516) 829-3070.

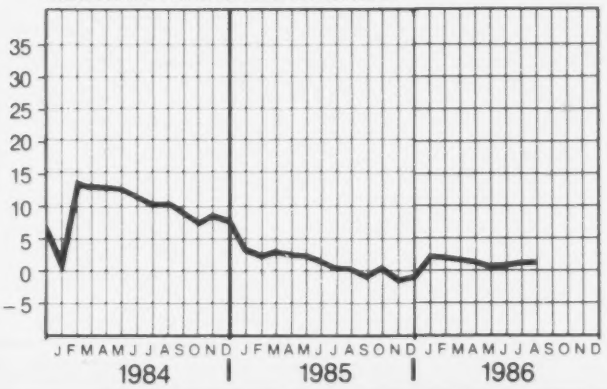
SUMMARY NATIONAL TREND INFORMATION: 1984 TO PRESENT

NOTE: *BEGINNING WITH THE JANUARY 1986 REPORT, STATISTICS WERE PRODUCED BY A NEW SYSTEM. THEREFORE, STRICT COMPARISONS TO PRIOR REPORTS SHOULD NOT BE MADE.*

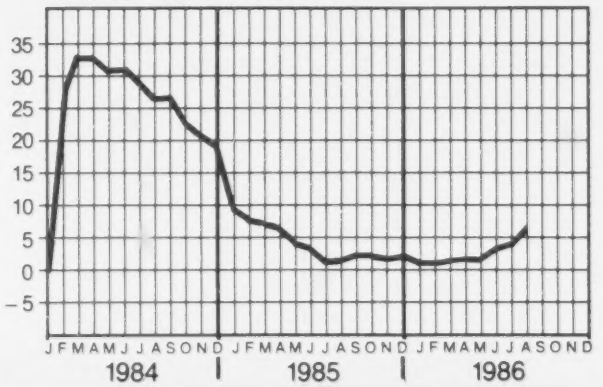
SALES INFORMATION

YEAR-TO-DATE SALES PER SELLING DAY AS A PERCENTAGE OF PREVIOUS YEAR'S YEAR-TO-DATE SALES PER SELLING DAY

INDUSTRIAL PAPER SALES NATIONALLY



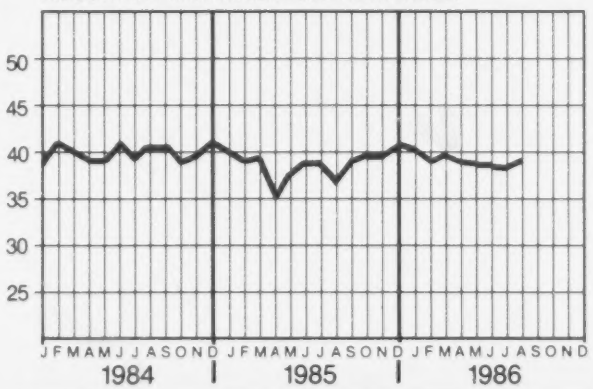
PRINTING PAPER SALES NATIONALLY



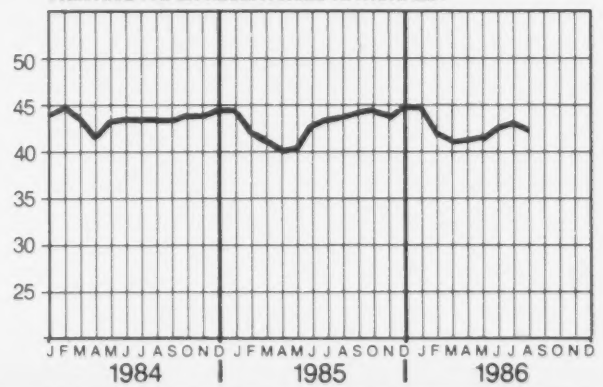
RECEIVABLES INFORMATION

DAYS OUTSTANDING—ACCOUNTS AND NOTES RECEIVABLE FROM PAPER SALES AT END OF EACH MONTH (IN CALENDAR DAYS)

INDUSTRIAL PAPER RECEIVABLES NATIONALLY



PRINTING PAPER RECEIVABLES NATIONALLY



INVENTORY INFORMATION

CALENDAR DAYS COST OF ENDING MONTHLY INVENTORY (FIFO) (IN CALENDAR DAYS)

INDUSTRIAL PAPER INVENTORY NATIONALLY

PRINTING PAPER INVENTORY NATIONALLY

IFC Nonwovens introduces four unique additions to the Like-Rags wiper line...

LIKE-RAGS™

- NEW **Automotive Shop Pack** — Dispenser pack of 50 "original" Like-Rags
- NEW **Printers Towel** — Larger 19"x29" size
- NEW **White "T-Shirt" grade** — New white version of "original" Like-Rags
- NEW **White Painters Knit** — Dispenser box of 25 white Like-Rags wipers

LikeRags™ are the first wiping cloths sold "like a rag", but with all the advantages of both rags and disposables.

- *Feels and looks like a cloth rag*
- *Highly absorbent*
- *Large and tough (really reusable)*
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- *Thick and bulky (like T-shirt)*
- *Cost less than rags and rental towels!*

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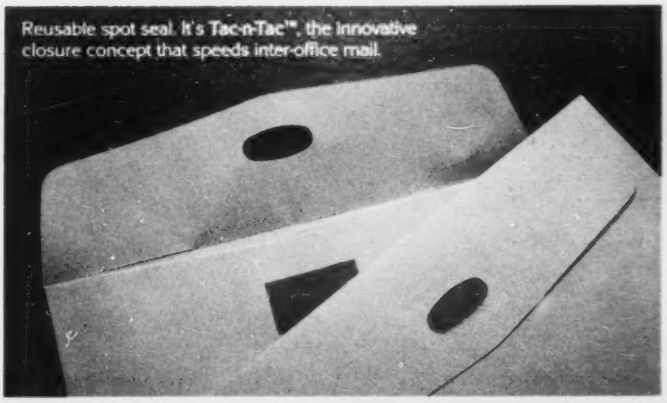
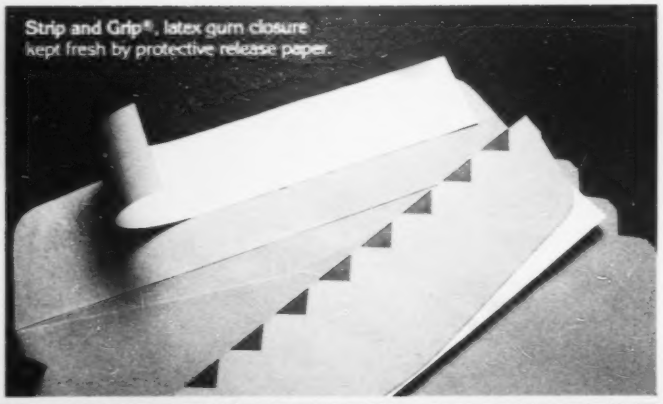
CALL TODAY!
1-800-IFC-WIPE
(432-9473)

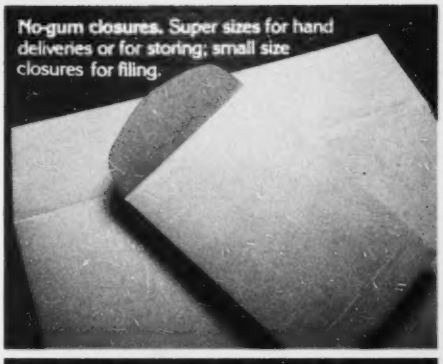
Who but National Envelope offers you so many closures?



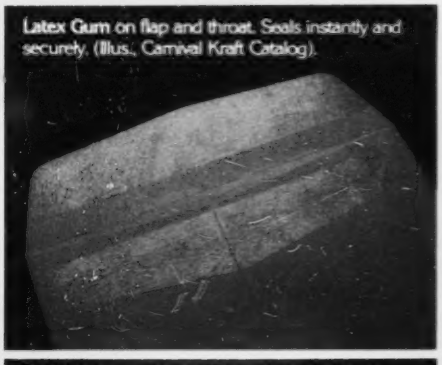
Reusable spot seal. It's **Tac-n-Tac™**, the innovative closure concept that speeds inter-office mail.



Strip and Grip®, latex gum closure kept fresh by protective release paper.

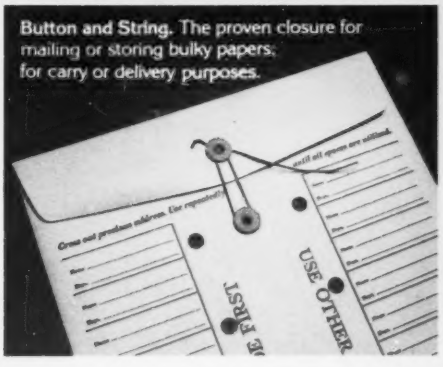


No-gum closures. Super sizes for hand deliveries or for storing; small size closures for filing.

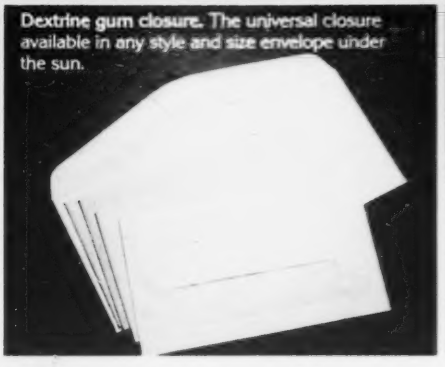


Latex Gum on flap and throat. Seals instantly and securely. (Illus., Carnival Kraft Catalog).

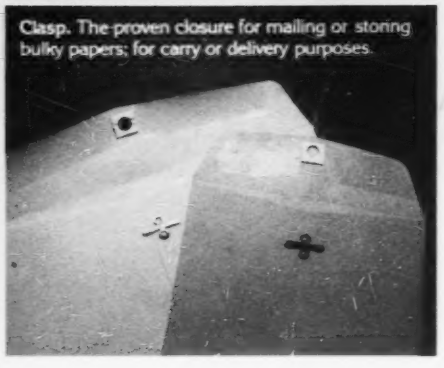
Bank Statement Latex Gum Envelopes. The efficient way to seal and send bulky contents.



Button and String. The proven closure for mailing or storing bulky papers; for carry or delivery purposes.



Dextrine gum closure. The universal closure available in any style and size envelope under the sun.



Clasp. The proven closure for mailing or storing bulky papers; for carry or delivery purposes.

Grow with National

The New York / National Envelope Group:

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Envelope Convertors, Inc., Brooklyn, NY, 11237, 718 / 386-6000, 800 / 221-0605.
Champion Envelope Corp., Union, NJ, 07083, 201 / 353-8100, 800 / 526-6829.
National Envelope Corp., Worcester, MA, 01607, Box 1728, 617 / 798-8711.
Austell (Atlanta), GA, 30001, 404 / 944-3322, 800 / 241-8173.
Lenexa, KS, 66215, 913 / 888-3282, 800 / 255-6288.
Vinita Park (St. Louis), MO, 63114, 314 / 423-6700, 800 / 325-0002.